Financial Capability of Children, Young People and their Parents in Scotland 2016

Initial results from the 2016 UK Children and Young People's Financial Capability Survey

moneyadviceservice.org.uk

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Contents

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Foreword

There is an increasing recognition that what children see and experience at home, and in a wider social context, is crucial to their future financial capability. In particular, children are likely to be influenced from an early age by how their parents or carers go about managing their own finances, and also by how they introduce their children to the concept of money.

Many children in Scotland are learning about savings at an early age and projects to support this are happening across Scotland. Scottish Government's Credit Union Report[1] sets out a number of initiatives including the set-up of Junior Savers projects in schools working with the credit union sector to help encourage a savings ethos. Teaching children to budget, save and manage their own spending at an early age prepares them to manage their money effectively as they grow to be responsible for their own finances.

In Scotland, financial education is in the Curriculum for Excellence and is available at all levels from age 3- 18. It is specifically embedded through explicit outcomes and experiences in numeracy and in social studies. This research shows that when it is happening the majority of young people say it has made a difference, particularly around their skills and knowledge of money matters. There are some great examples of "Money Weeks" being delivered in schools and communities across Scotland which supports financial learning. Through our support of the Scottish Financial Education Forum we will work with partners across Scotland to better understand the extent of how and where financial education is being delivered, share best practice across local authority areas, support teachers and support a system that ensures all children are learning about money.

The research presented here is truly groundbreaking in that it is the first nationally representative survey to focus not just on children or their parents, but on both together. This will enable us to explore in much greater depth the complex interplay between them, and how different factors influence this. Encouragingly many parents in Scotland recognise the need to teach their children about money under the age of 8 and this is an area we need to build on as we know money habits are developed early. Children in Scotland are also benefitting from being given more responsibility for their money than their counterparts elsewhere in the UK, although there is still work to do.

This report forms part of an ever-growing body of evidence around financial education – with in-depth research backed up by evaluation of a wide range of projects and interventions aimed at helping children and young people manage their money. This evidence is essential, to help build up a clear picture of needs – for children and young people themselves, but also for parents, teachers and others – and in identifying the most effective ways of meeting those needs. We are confident that the 'What Works Fund' we set up last year will make an important contribution to this and will look forward to seeing results from the first wave of projects later this year.

The UK government is currently preparing to establish a new public financial guidance body, expected to come into being towards the end of 2018. The new organisations remit will include a focus on seeking to maximise the impact of financial education for children and young people. Our aim is to continue to work with Scottish Government and others in the children's, youth, parenting and education sectors so that we can hand over to the new organisation a substantial body of evidence to guide its future efforts in this vital area.

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1. *Scotland's Credit Unions: Investing in Our Future* (The Scottish Government, 2016)

Executive summary

Background and context

The Money Advice Service leads the co-ordination of delivery of the Financial Capability Strategy for the UK. The strategy aims to improve people's ability to manage money well, both day to day and through significant life events, and their ability to handle periods of financial difficulty. To support this, we want to ensure all children and young people get the financial education they need to help them become financially capable adults.

As part of our work to achieve this, we have commissioned a new research study: the 2016 UK Children and Young People's Financial Capability Survey. This survey is the first of its kind: a nationally representative survey of the financial knowledge, attitudes and behaviours of 4- to 17-year-olds and their parents, living in the UK. The survey incorporates representative samples of children, young people and parents across each of the four constituent nations of the UK in addition to the UK sample as a whole. This report covers key findings from Scotland, highlighting areas of similarity and difference in the attitudes of children and parents in Scotland against wider UK counterparts. Within Scotland, a total of 604 children and young people aged 4–17, and their parents were interviewed as part of this research, out of a total sample of 4,958 for the UK as a whole.

This report presents an initial analysis of the findings of this new survey and covers:

- how children get money
- how children spend and save money
- children's attitudes to spending, saving and debt
- children's confidence about managing their money
- children's understanding of the value of money and the need to make trade-offs
- children's knowledge and education about financial products, concepts, and terminology
- parents' beliefs and attitudes towards their own financial capability and the skills, abilities and attitudes of their children.

Survey Findings

Our research has found that, overall, children have a reasonable grounding in knowledge and understanding about money. They recognise some financial products and concepts and know money has a value. They are cautious about debt, and have a theoretical understanding of the importance of savings and the concept of value for money.

However, there are some aspects of financial capability that are less well understood, and some children who are doing less well than others. There is a clear need to ensure the education and support provided to children, and to those who help them learn about money at home and in school, build on strengths and tackle areas for development.

In addition, from both the UK and Scotland specific findings, a number of clear themes have emerged, about factors that seem to make an important difference to children and young people's financial capability. These are set out in the pages that follow.

Financial education in the home

Children's financial capability is impacted by the choices parents make about how they teach them about money, and the freedoms and responsibilities they allow them to have.

Empowering children

Parents allowing their children to make decisions and to learn from mistakes, in age-appropriate ways, is linked to their financial capability development. Positively across Scotland in particular, parents are far more likely to allow children full or partial autonomy when it comes to deciding how the child's money is spent, with few parents allowing their child no choice.

This is positive as in the UK it was found that children deciding together with a parent was linked to positive financial capability. The strongest message that emerges from the UK is that children did worse on a large number of financial measures where parents decide for them how to spend their money.

Additionally, parents have key roles in protecting their children online. Children are spending money online and need to be aware and prepared for the risks that accompany this, particularly considering the prevalence of online advertising. With children in Scotland being more likely to have paid for things online (52%, 41% UK).

Regular money and regular saving

We have also seen from our results that children who get money regularly have better financial engagement. They are more likely to have a bank account, to decide for themselves how they spend their money and whether they save any of it, and to shop around for better value.

Across the UK. children who save money 'every time' have more positive attitudes such as feeling confident and in control of their finances.. Some negative behaviours are also linked: there is a relationship between not keeping track of money, and not saving.

More broadly, too few children are saving regularly; more can be done to develop savings habits early on in life. True, the vast majority of children in Scotland (96%) have had some experience of saving, but the importance of regularity needs to stressed. Children seem to understand conceptually that saving money is good, but the translation of this into behaviour remains an important area to address. Overall, 12% of children aged 8–17 in Scotland save money every time they get some, and 33% save most times.

Similarly, education that encourages children to make plans and stick to them, and to keep track of their money, seem to remain areas for development for many children.

Starting early

Children begin to demonstrate understanding of concepts such as money having a value very early on, and financial knowledge, skills and abilities typically grow with age, with a significant step-up in understanding at age 6, and ages 16–17. This is potentially connected to both cognitive developments and the impact of children's changing environments.

Many parents in Scotland, however, are cautious about talking to their children about money and giving them responsibility for money at an early age. They believe that teaching children about money should start somewhat later in childhood than this report suggests; parents who believe in giving children under 8 a range of financial experiences are in the minority.

There are therefore opportunities to reiterate that children can begin to learn about money from before age 7, and that parents can play a key role in influencing children's developing skills, knowledge and understanding.

There are opportunities to build on: for example, most children have seen their parents using money and have had experience of paying for things in shops. These situations could be used to help design practical and easy-to-implement exercises for interventions with parents – which will be familiar and comfortable to those who have already tried, and may help demonstrate a social norm to those parents who are less engaged in teaching younger children about money.

Parents as role models

Our survey suggests that the vast majority of parents believe it is important to teach their children about money, and that their behaviour will affect their children when they grow up. They recognise they have an important role to play, and our survey reiterates findings from other research that children see their parents as the main, and most useful, source of advice about money.

Many see themselves as good role models. However, far fewer are confident talking to their children about money. Many parents score highly on indicators of poor financial capability, or have challenges with their own financial circumstances.

Overall however, whilst parents in Scotland have a positive outlook on educating and guiding their children, they do not generally differ from UK counterparts in terms of how they measure their own competences – they are similar in terms of how they perceive themselves as role models, they are not more or less likely to have financial barriers such as debt (asides from low-income families), and have similar saving regimes.

Financial education in schools

Starting early in schools too

Our findings have reiterated the importance of education at an early age. The vast majority of children have money from at least age 4, with many having some saved up. Many children of primary-school age have also begun to experience more complex ways of using money, such as buying online. This suggests that primary-school children would be receptive to a wide range of lessons about money.

While financial education is on both the primary and secondary school curriculum in Scotland, as part of the Curriculum for Excellence, only 46% of children aged 7–17 say they have learned about managing money at school or college, although this is higher than the 40% reported UK-wide. There is a possibility that children do not recall having had the lessons, or that they do not associate them with money management specifically. Positively, 9 in 10 young people who said they had learned about money management at school said it was useful so there does seem to be a perceived benefit for those that have experienced it.

Real-life education

Those aged 16- to 17-year-olds are not significantly more likely to report having received financial education (although a low base size should be noted for this age group). This is important because while our survey results have shown an increase in financial independence and knowledge at age 16–17, they also demonstrate some worrying findings about preparedness for adulthood.

For example, by age 16, a third of young people are getting money from work outside the home. Yet three in ten 16- to 17-year-olds (31%) don’t have a current account, and 5% have no bank account at all (neither savings nor current account). Of those that do have an account, 26% have never deposited money, and 29% do not look after their own banking details.

Vulnerability

Our survey findings have highlighted some initial indicators of particular groups who may have unique financial capability needs or may be vulnerable to poorer financial capability overall. While there is further work to be done to identify other groups who may also be vulnerable, it is clear from the initial analysis that children in low-income households and children with low financial confidence may be particularly vulnerable.

Low-income households

Income is a factor in adult financial capability, and within the UK research, living in low-income households has been associated with poorer financial capability outcomes for children.

Certain indicators support this view in Scotland, for example, children in low-income households are more likely to feel they are unable to make a difference to their money situation (23%) than those in high-income households (12%). However, this can be countered when looking at how much money children get in a week; children in low-income Scottish households actually receive more than high-income ones, despite being the most likely to feel helpless about their money situation.

Parents in low-income families do tend to have a tighter rein on child spending, and can be more skeptical of how well their children understand external influences such as online buying or advertising (75% of children from low-income understand that adverts are trying to sell them things, compared to 84% overall).

Low financial confidence

A relationship between children's confidence in managing money and positive financial knowledge, attitudes and behaviours, is another theme to emerge from the UK research. While the sample size in Scotland is not large enough to look at this in detail, these learnings can likely be applied across nations.

UK-wide, children's confidence managing money is associated with other positive outcomes including: frequency and amount of savings; keeping track of finances; involvement in choices about money; caution about borrowing; feeling in control of finances; having more life goals; shopping around; and getting questions about financial products and concepts right. Further research is needed to understand the detail of this relationship as we cannot at this stage be sure of the direction of these relationships.

Remaining questions and further research

There are a number of questions the analysis of this survey has yet to address, and findings that warrant further investigation. Some of this can be addressed through further analysis and 'deep dives' into our survey data. Some will need to be investigated through new research and analysis.

Areas for further research UK-wide include:

- **The relationship between parent behaviour and attitudes and child financial capability.** Does it make a difference if parents talk about money with their children? Do parents who demonstrate indicators of good financial capability tend to have children who do too? What demographic factors make a difference?
- **The impact of family finances and composition.** Do children living in homes experiencing financial difficulties tend to have poorer financial capability? How does financial capability differ among children from homes with different family structures?
- **Key vulnerable groups.** What sorts of characteristics do children with lower levels of financial capability demonstrate – for example, do children with lower levels of social and emotional skills have poorer financial capability? Do children with particular characteristics, such as having a disability, or being a young carer, have different levels of financial capability from children overall?
- **The direction of the relationship between financial capability and confidence.**Does financial capability lead to financial confidence or does it work the other way around? It may also be interesting to explore further the lack of relationship we have shown between low income and confidence.

Introduction

Background

The Money Advice Service is contributing to and co-ordinating the Financial Capability Strategy Scotland, and wider for the UK, which will help to address low levels of financial capability and wellbeing amongst adults.[2] But it will do more than that. Adult financial capability is in large part a consequence of what is seen, learned and experienced in childhood and adolescence. The strategy will support the current generation of children and young people, to help them become the financially-capable adults of tomorrow.

As part of our work, we commissioned the 2016 UK Children and Young People's Financial Capability Survey. Interviewing children has many challenges. It is necessary to obtain and record parental consent; ensure that the children will understand and be able to answer your questions; and adapt your questions so they are appropriate for the level of development of the various age groups you wish to target. For topics such as financial capability and money management, there are additional challenges. Not only are children unlikely to know relevant information such as household income, but also it is likely that children's behaviours and attitudes towards money are influenced by those of their parents. To get a full picture, you therefore need to survey parents and children together.

The 2016 UK Children and Young People's Financial Capability Survey meets these challenges head on and, as such, is the first of its kind: a nationally representative survey of the financial knowledge, attitudes and behaviours of children and young people aged 4–17, and their parents, living in the UK. We published a report on the full UK-wide findings in March 2017[3]. This report focuses specifically on the findings from interviews conducted with children and parents in Scotland.

The aims of the survey were to:

- provide a baseline measure of financial capability amongst children and young people and their parents and carers
- provide a national picture of financial capability amongst children and young people
- understand what drives good and poor financial capability among children, including the role of financial education within families.

The aim of this report is to give an overview of the initial findings of the survey, and some of the main themes that have emerged within Scotland, and more generally across the UK. We anticipate that there will be further reports which will explore aspects of the data in greater detail.

2. *The Financial Capability Strategy for the UK* (Money Advice Service, 2015) – see fincap.org.uk for details.
3. *The Financial Capability of Children, Young People and their Parents* (Money Advice Service, 2017)

The report covers:

Chapter 1 – How children access and use money

- Where children get their money from and how they save and manage it
- What financial products children use, and who chooses them
- Who decides what children do with their money, whether they spend or save, and what experiences they have in paying for things

Chapter 2 – What children think about money

- What they think about spending, saving and borrowing
- How they think about making choices and trade-offs
- Whether children feel confident and in control of their money
- Children's financial and life goals and aspirations

Chapter 3 – What children know about money

- How well children understand financial products, concepts and terminology, and how well they can apply numeracy skills to financial situations
- How well children understand that money has a value and that you have to make choices
- To what extent children can plan and budget with their money and get good value for money
- How well children understand the role that money plays in society, and what adults have to pay for

Chapter 4 – How children learn about money

- Where children get advice and guidance about money, and the role their parents play[4]
- How parents' attitudes and behaviours affect their children
- The role of schools and colleges

Throughout this report we use the term 'children' as shorthand for children and young people, and we use the term 'parents' as shorthand for parents, carers or guardians.

4. The term 'advice' here is used to denote advice in the general sense, not regulated financial advice.

Methodology

The 2016 Children and Young People's Financial Capability Survey is a nationally representative survey of a total of 4,958 children and young people aged 4–17, and their parents, living in the UK.

The study was conducted for the Money Advice Service by BMG research, and used both online (69%) and CAPI (computer aided personal interviewing) (31%) to survey 4,141 children aged 7–17, (each interviewed with one of their parents). We also conducted 817 online-only interviews with children aged 4–6, (again interviewed with one of their parents). These figures include boost interviewing which was conducted in each of the devolved nations (1,124 boost interviews in total) in order to ensure a robust base for analysis. The same is true of 15- to 17-year-olds, where again boost interviewing was undertaken (1,026 boost interviews in total). For Scotland in particular, 116 interviews were conducted with 4-6 year-olds, and 488 with 7-17 year-olds.

Two questionnaires were developed, one for 7- to 17-year-olds and their parents, and one for 4- to 6-year-olds and their parents. Both surveys used a common core set of questions amongst parents to give an indication of overall parental and household financial capability, as well as parental attitudes towards financial management. However, questions asked of children and young people diverged significantly across age-groups. Some questions were asked of both children and their parents, in both surveys. Not all questions were asked of all children surveyed due to varying levels of cognitive development and expectations of what they are likely to have experienced. Throughout the report, notes at the bottom of charts show a question number with the notation 'CYP' if children answered or 'P' if parents answered.

In order to ensure that the findings accurately reflect the population of children and young people, the data were weighted to represent the population breakdown of children aged 4, 5–6, 7–11, 12–15 and 16–17 within each nation (England, Scotland, Wales, and Northern Ireland). The variables used for weighting were age, gender, region, ethnicity, income deprivation of the household's local area, and whether the household was in an urban or rural setting.

Analysis variables

Throughout the report, the findings have been analysed by a number of variables of interest, such as age or household income. Where a statistic is analysed by one of these variables and the figure given is said to be the most or least, this refers to a significant difference. In statistical terms, a significant difference between two research results is a difference that is large enough that it is highly likely it didn't arise by chance. This report focuses on findings specifically related to Scotland, though where relevant, comparisons are made with the all-UK findings.

The Scotland sample falls within the sample for the larger UK-wide study. A sample boost took place in Scotland to allow us to be able to look at Scotland as a whole and to help us understand how the overall context between nations differs. However, this doesn't allow us to look at smaller analysis breaks within Scotland and the survey was not designed to do so.

In instances in the report where sample sizes are too small in Scotland to analyse separately (base size less than 60), where a finding has been reported it is done so at UK level and this is referred to in the text. Groups with a base size of less than 60 within Scotland have not been referenced, and between 60 and 100, the base size has been referred to in the text, or below any corresponding graph where appropriate.

All figures in this report are Scotland specific unless explicitly referencing the UK as a whole.[5]

5. Throughout the analysis, 'don't know' and 'refused' answers have been excluded. A minority of questions elicit an unusually high proportion of 'don't know' answers, for example, where children are given a numeracy problem as part of the questionnaire. In these cases, the 'don't knows' are included in the analysis as it indicates how hard it was for the respondents to answer that question. Where this is the case, the inclusion of 'don't know' is clearly indicated on the table or chart.

The main analysis variables are:

Age

Looking at the results by age gives us a proxy for seeing how a child changes over time. Where possible questions have been reported for all age-groups. In some cases, while the question is broadly similar, the text and format has been adapted for the 4- to 6-year-olds. The age-group answering the question is noted in the base of the charts

Household income

Parents were asked a number of demographic questions, including household income. Household income is strongly linked to adult financial capability measures so it was likely to be an important factor in children's financial attitudes, beliefs and behaviour.

Households were split into income groups as follows:

- Low-income: £17,500 or less
- Medium-income: £17,500 to £49,999
- High-income: £50,000 or more

Regular or irregular money

This comes from the question 'In which of the following ways does child get money of his/her own?' for 4- to 6-year-olds and from the question 'Where do you get your money from?' for 7- to 17-year-olds.

Regular money includes pocket money or money from a job. Everything else is classified as irregular money. Children who are classified as getting regular money may get money from irregular sources as well but children who do not get either pocket money or money from a job, but do get other types of money, such as money on days out or special occasions, are classified as having irregular money.

A small percentage of children got no money of their own and were not classified into either group.

Responsibility for deciding how own money is spent

Across the UK, we expected that the degree of responsibility that children were given to make decisions about their own money, would have an impact on their financial attitudes beliefs and behaviour. This is split into

- Parents or carers decide
- Child decides
- Child and parent/carer decide together

The 7- to 17-year-olds answer these questions themselves and the parents of the 4- to 6-year-olds answer on their behalf. While responsibility is inherently linked with age we do still observe differences within age groups. Due to small sample bases, these groups are not reported within Scotland.

Saving

Across the UK, we know that active saving is an important factor in adult financial capability.[6]

In the 7–17 age-group survey, we asked about the frequency of saving and this was asked only of those aged 8–17, as there is evidence that it is harder for 7-year-olds to understand the concept of frequency.[7]

The 8- to 17-year-olds were split into the following groups:

- Saves every time
- Saves most times
- Saves sometimes
- Never saves

Generally in this report, only the extremes of 'every time' and 'never' are quoted. This is not to suggest that there isn't value in saving 'most times'; it is just the most effective way to illustrate the impact of saving behaviour.

For the 4- to 6-year-olds, this was also reported by the child and was split into:

- I like to save my money
- I like to spend my money

Due to small sample bases, these groups are not reported within Scotland.

Confidence managing money

This comes from the question: 'How confident do you feel managing your money? Please answer on a scale of 0–10, where 0 is 'not at all confident' and 10 is 'very confident'. This is asked of 12-year-olds and above as it would be hard for younger children to understand or judge their level of confidence. The answers are split into:

- Confident: 8–10
- Neither: 4–7
- Not confident: 0–3

Throughout the report only the extremes are quoted and are referred to as 'confident' (8–10) and 'not confident' (0–3). The question is also asked of the parents but, to keep the analysis simple and easy to understand, that is not used as a variable for analysis in this report. It may be used for further analysis at a later date.

Due to small sample bases, these groups are not reported within Scotland, so any reference to results by financial confidence refer to UK-wide results only.

6. *Measuring financial capability – identifying the building blocks* (Money Advice Service, 2016). Active saving consists of: frequency of saving; number of types of expected expense saved for; number of types of unexpected expense saved for
7. *Habit Formation and Learning in Young Children* (Money Advice Service, 2013).

Chapter 1: How children access and use money

Strengths to build on:

- Nearly all children in Scotland (99% of 7- to 17-year-olds and 89% of 4- to 6-year-olds) report having at least some money of their own. Children in Scotland receive more in comparison to the UK as a whole.
- The vast majority of children in Scotland aged 8–17 have experience of saving their money (96% of those that have money).
- Most children above the age of 7 are involved in how their money is saved (91%) or spent (99%), either by deciding themselves or with their parents. This increases with age.
- Two-thirds (69%) of 7- to 17-year-olds receive pocket money.
- A third (33%) of 16- to 17-year-olds get money from work outside the home.
- Many children experience paying for things from an early age, with 71% of 4-6-year-olds having paid for things in shops.

Work is needed:

- Older children in Scotland are less likely to be ‘every time’ savers – 7% of those aged 16-17, compared to 19% aged 7-11 and 11% aged 12-15. Notably, across the UK, no difference had been noted here between age groups.
- Whilst bank account possession is higher in Scotland than the UK (72% vs. 63% in UK), over three in ten 16- to 17-year-olds (31%) still don’t have a current account, and two in three (66%) don’t have a savings account. Over a quarter (26%) of 16-17 year-olds have never deposited money, and 29% don’t look after their own banking details.
- One in ten (10%) children aged 8–17 from low-income families (who receive money) have never saved their money.
- Overall, 21% of 14- to 17-year-olds said they don’t keep track of their money, an important part of budgeting and saving. A further 29% only keep track in their head.
- Children who do not receive regular money are less likely to have bank accounts (particularly current accounts), be involved in the choice of their banking products and mobile phone package, keep track of their money, or make their own spending decisions.
- UK-wide, children who are not confident in managing their money are less likely to save every or most times.

Managing money day to day

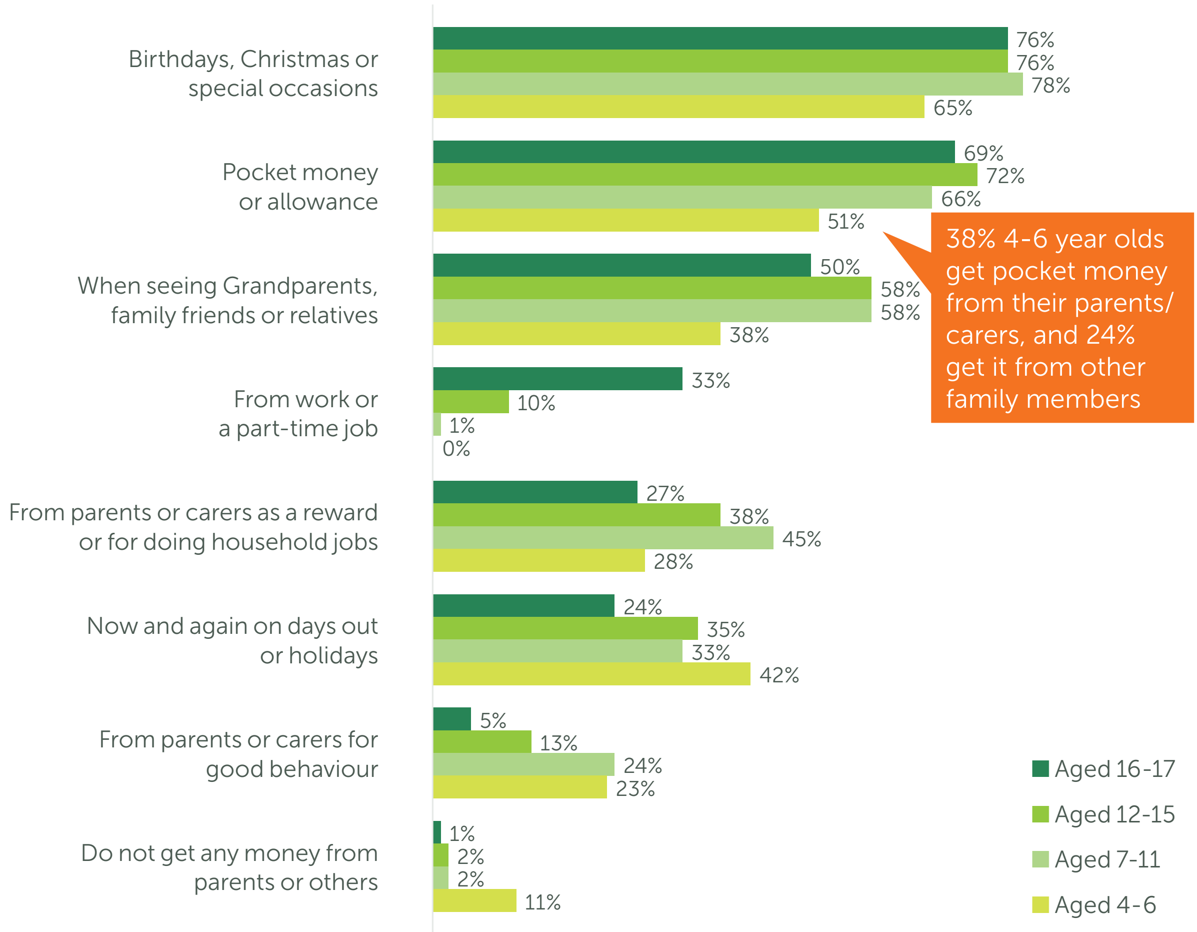
Where does children's money come from?

Children get their money from a variety of sources. The majority of children across all of the age- ranges receive at least some money of their own. They get given the money primarily at birthdays, Christmas and special occasions, or as pocket money (Chart 1).[8] Only 1% of 7- to 17-year-olds and 11% of 4- to 6-year-olds in Scotland get no money of their own. Overall, 75% of the 7- to 17-year-olds and 44% of the 4- to 6-year-olds get regular money. Amongst the 7- to 17-year-olds, 69% get pocket money and 33% of 16- to 17-year-olds earn money from a job.

The peak ages for receiving pocket money are 12–15. Above this, whilst pocket money remains the key source of money, children are more likely to be working outside the home, and perhaps expected to provide their income themselves. Below this, children may be deemed to have fewer needs or to have more bought for them by parents.

There are some differences between 7- to 17-year-olds and 4- to 6-year-olds. Children aged 4–6 are the more likely than older age groups to be given money as a reward for good behaviour, possibly because behaviour is a particular focus for parents and carers of this younger age-group. Additionally, 4- to 6-year-olds are most likely to be given money 'now and again' on special days out. This may be because more opportunities to spend money arise on days out, or it may be simply that, as this age-group is receiving less money in general than others, parents make up for it on these occasions

Chart 1: Where children get their money from



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP5 In which of the following ways does child get money of his/her own? Parents of 4-6 year olds. CYP2 Where do you get your money from? 7-17. Base: All 4-6 n=115, All 7-17 n=488.

8. The data for this chart comes from parents of children aged 4–6, but directly from children aged 7–17

Where children's money comes from varies with income as well as with age. In general, children in high-income Scottish households are the most likely to get money through any route, including working outside the home: 14% in high-income households have a job outside the home vs. 12% for those in medium- and 9%[9] in low-income households.

Children aged 7-17 in low-income Scottish households are also slightly less likely to receive money for birthdays, Christmas or special occasions: 71% vs. 77% in medium and 87% in high-income households. This reflects the UK trend; however, in the UK as a whole, provision of pocket money is lower amongst low-income households – but this is not the case in Scotland.

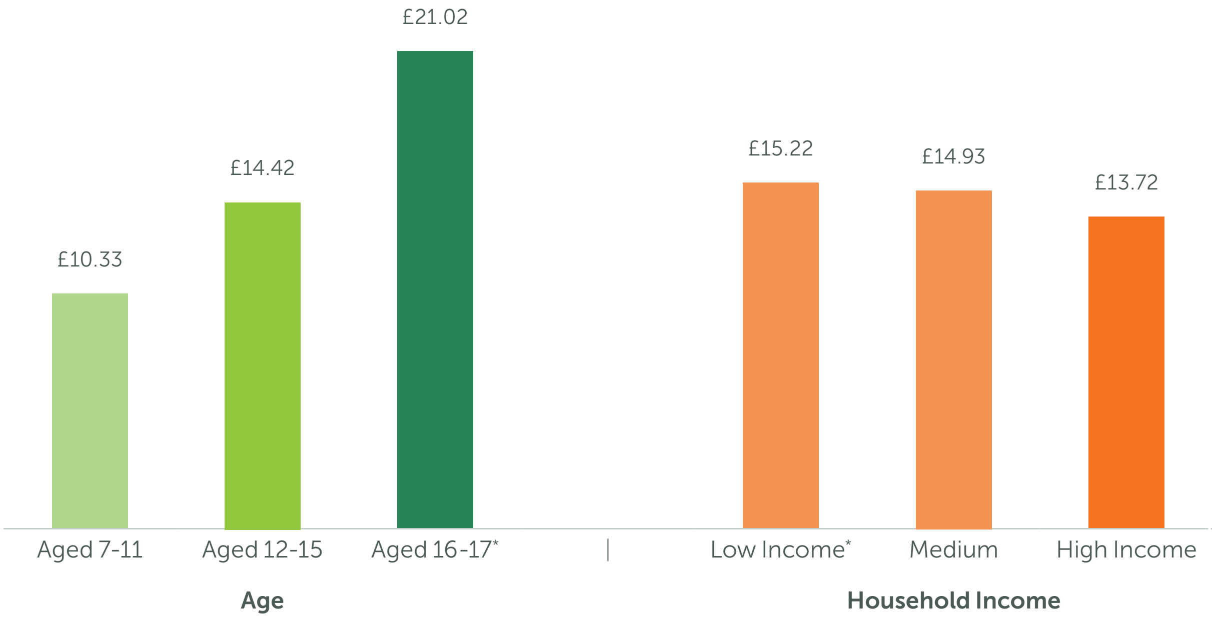
How much money do children get?

We asked 7- to 17-year-olds to recall how much money they got last week, in order to get the most accurate data. The amount children in Scotland said they received varied from around £10 for 7- to 11-year-olds, to around £21 for 16- to 17-year-olds - only 5% got nothing. On average children received £14.41[10] in the previous week, which is higher than the £12.21 UK average. The average amount increases with age, but where Scotland does differ from the UK, is that the amounts decrease as household income increases, which is the opposite direction of trend to the UK.

Three-quarters of 7- to 17-year-olds do get given money regularly (75%). The amounts given, however, are not always the same. Overall, 56% of those who receive pocket money get a varying amount of pocket money or allowance, and 43% get the same each week or month. Getting the same amount increases by child age and household income.

Children who received their money regularly also on average received more; it may be, however, that they found it easier to recall the total amount than those who did not get given money regularly.[11]

Chart 2: How much money children received last week



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP1 How much money were you given in total last week? 7-17 Base: All those who get money: n=454

*Low base sizes: 86 (aged 16-17); 61 (low income).

9. Low base size: 78
10. Outliers of £200 or more were removed from the calculation of means.
11. It is not possible to tell how much of this money is from paid jobs and how much is from other sources.

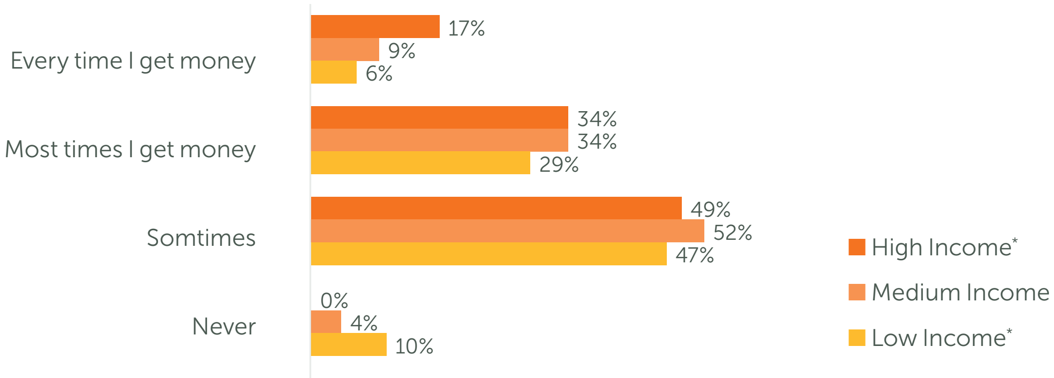
How often do children save?

Overall, 12% of children aged 8–17 in Scotland save money every time they get some and 33% save most times.[12] Saving behaviour is shown across the UK to vary with confidence in managing money, although sample bases are too low in Scotland to support comparison.

Only 4% say they never save, but children in low-income households are most likely to report never saving (10%). Overall, as with the UK, the behaviours ('never save' and 'save every time') show particular variation with household income, as shown in Chart 3. Within Scotland, we also observe that saving 'every time' decreases as child age goes up, from 19% aged 7-11, to 11% aged 12-15, but only 7% aged 16-17 – across the UK, the proportions had been similar across age groups. However, Scotland more closely reflects the UK insofar as the proportions of those who never save are equal by age.

Amongst 4- to 6-year-olds, 79% report having some money saved up. This is lowest amongst 4-year-olds and in low-income households.

Chart 3: How often children save



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP3. When you get money, how often do you save at least some of it, [say by putting it in a piggy bank or cash box or into your bank account]? Base: 8-17 with money n=440

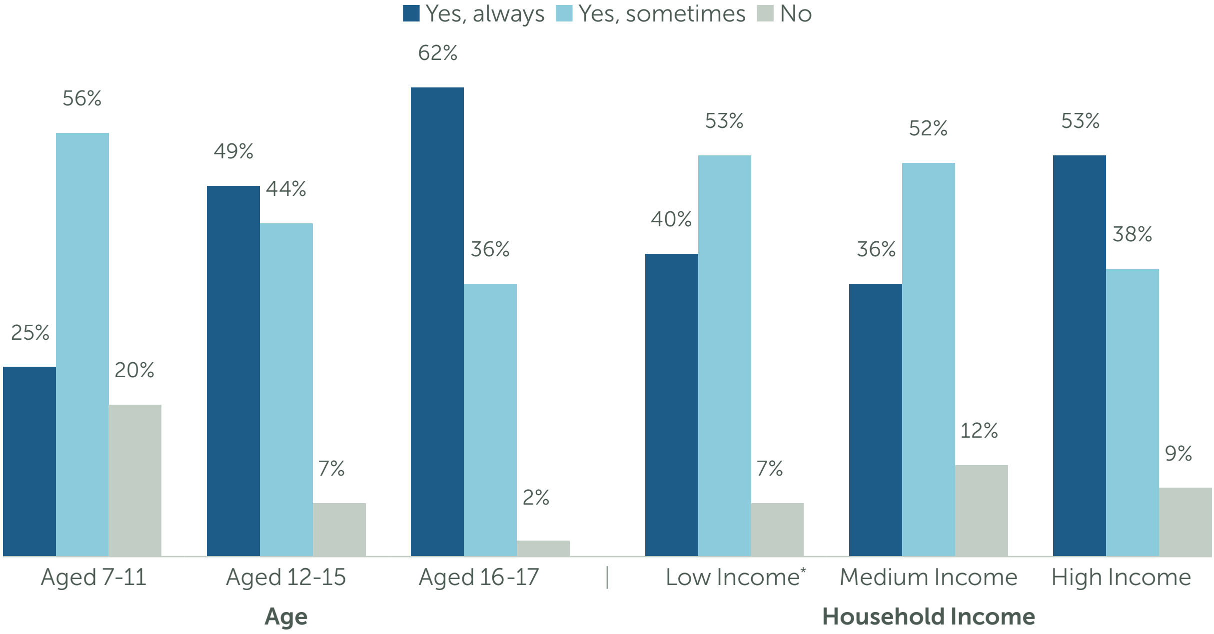
Can children manage their money?

Overall, parents of 7- to 17-year-olds in Scotland are more likely than those across the UK (90% vs. 84%) to say that their child could manage their money – this includes 43% 'always', and 46% 'sometimes'. Parents of 4- to 6-year-olds are less likely than those of older children to feel that their child can manage (35%). Children, who in their parents' opinion could always manage their money, are most likely to be in the older age groups, or from high-income families.

An additional finding UK-wide is that those who save their money every time they receive it and are financially confident also have parents who feel the child is able to always manage their money.

12. This question was not asked of 7-year-olds.

Chart 4: Whether children can manage their own money – Parent's view



Source: MAS 2016 Financial Capability Survey for Children and Young People. Is [Child name] able to do any of the following...? : Manage [his/her]own day-to-day money or allowance? Base: All parents of 7-17 where child gets money of its own n=468

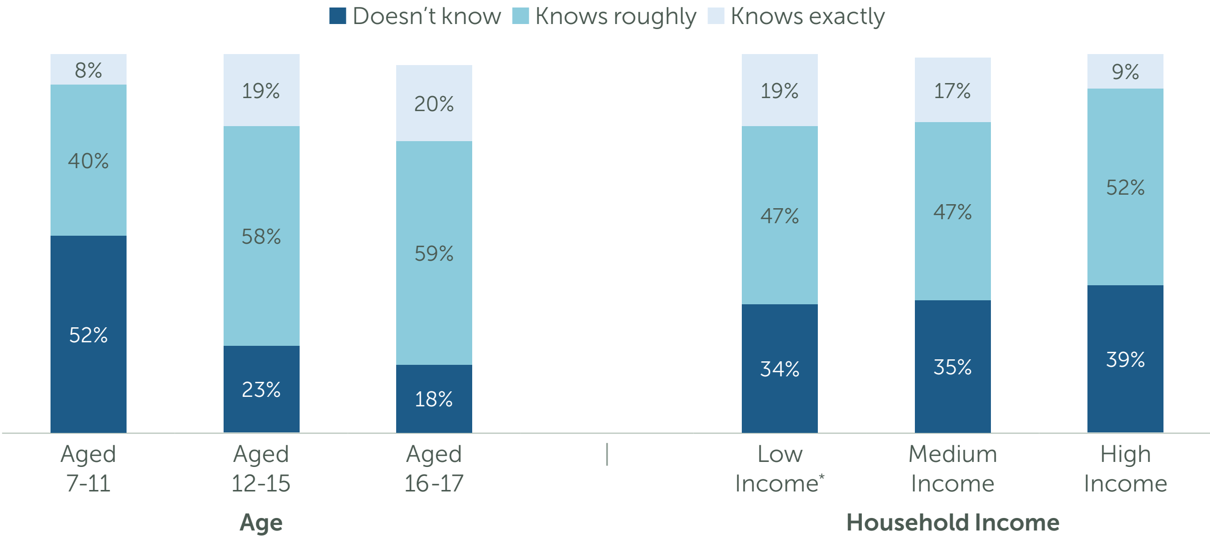
* Low base sizes: 75 (low income).

Despite this, in the 7–17 age group, only 67% of children knew exactly or roughly how much money they had. Whether someone knows (at least approximately) how much money they have, is an indicator of good financial management, so there appears to be a gap: are parents over-confident about their children's capacity to manage their money?

As in the UK as a whole, older children in Scotland are most likely to know how much money they have. Where Scotland differs however, is that children in high-income households are least likely to know, as opposed to low-income families UK-wide (Chart 5). However, the finding in Scotland replicates the findings of the 2015 Adult Financial Capability Survey: adults on low incomes were most likely to know how much they had in their bank accounts.[13]

13. *Financial Capability in the UK 2015* (Money Advice Service, 2015).

Chart 5: Whether children know how much money they have



Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP5. Do you know how much money you have in total in all of those places? Including in your bank? Base: 7-17 who get money n=472

* Low base sizes: 75 (low income).

When asked how they keep track of their money, 21% of 14- to 17-year-olds said they don't keep track at all, but is lower amongst 16- to 17-year-olds (13%) than amongst those aged 14-15 (28%). A further 29% of 14- to 17-year-olds only keep track in their head.

The top five methods of keeping track for 14- to 17-year-olds are:

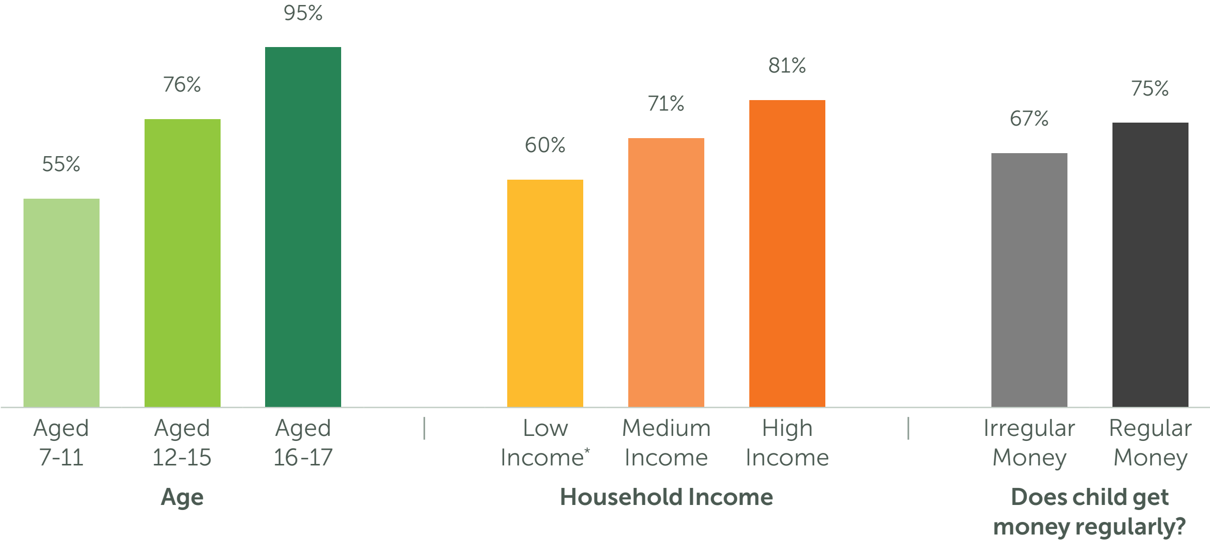
- 29% keep track in their head
- 27% check their balance at a cash machine
- 24% use an online bank account
- 18% review their statements
- 11% use a mobile app.

Access to and use of financial products

Do children have bank accounts?

Children aged 7–17 in Scotland are more likely to have a bank account of any type than those across the UK (72% vs. 63%), either current account or savings account.[14] As across the UK, this increases with age and income and is more common amongst those receiving regular money.

Chart 6: Percentage of children who have a bank account (of any type)



Source: MAS 2016 Financial Capability Survey for Children and Young People. NQ4 (C). Do you have a bank account of your own?
Base: All 7-17 n=488

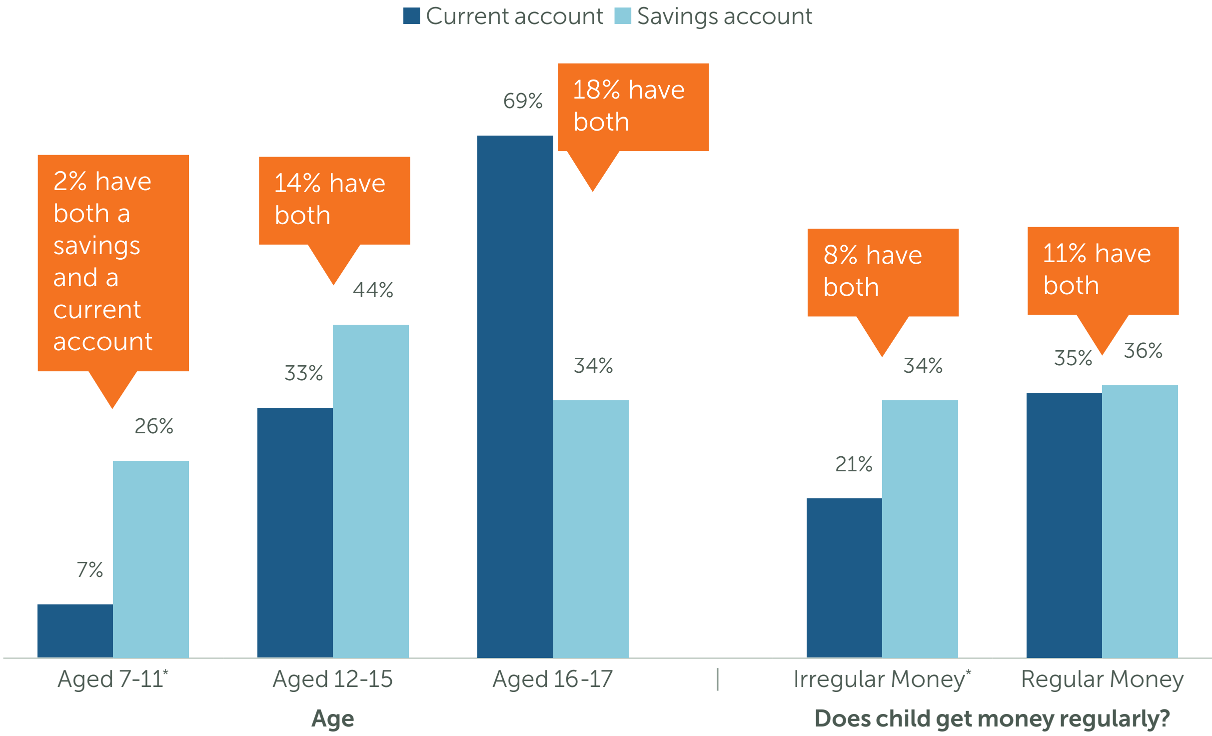
* Low base sizes: 78 (low income).

The type of account held also varies with age, income and whether the child gets regular or irregular money. Younger children are more likely to have a savings account and older children to have a current account. Whilst the proportion of children holding a current account more than doubles from age 12–15 to age 16–17 (33% to 69%), the proportion in Scotland with a savings account declines. This latter finding does not reflect UK-wide figures, where we observed roughly equal proportions with a savings account in comparing 12-15 and 16-17 year-olds.

There are also still approximately three in ten 16- to 17-year-olds (31%) who don't have a current account, and around one in seven (15%) who have no bank account at all.[15] These children may be missing out on opportunities to learn about managing their money, gain confidence, and build financial knowledge and skills.

14. The term 'bank account' is taken here to include building society or credit union accounts.
15. Including 2% who don't know.

Chart 7: Type of bank account held

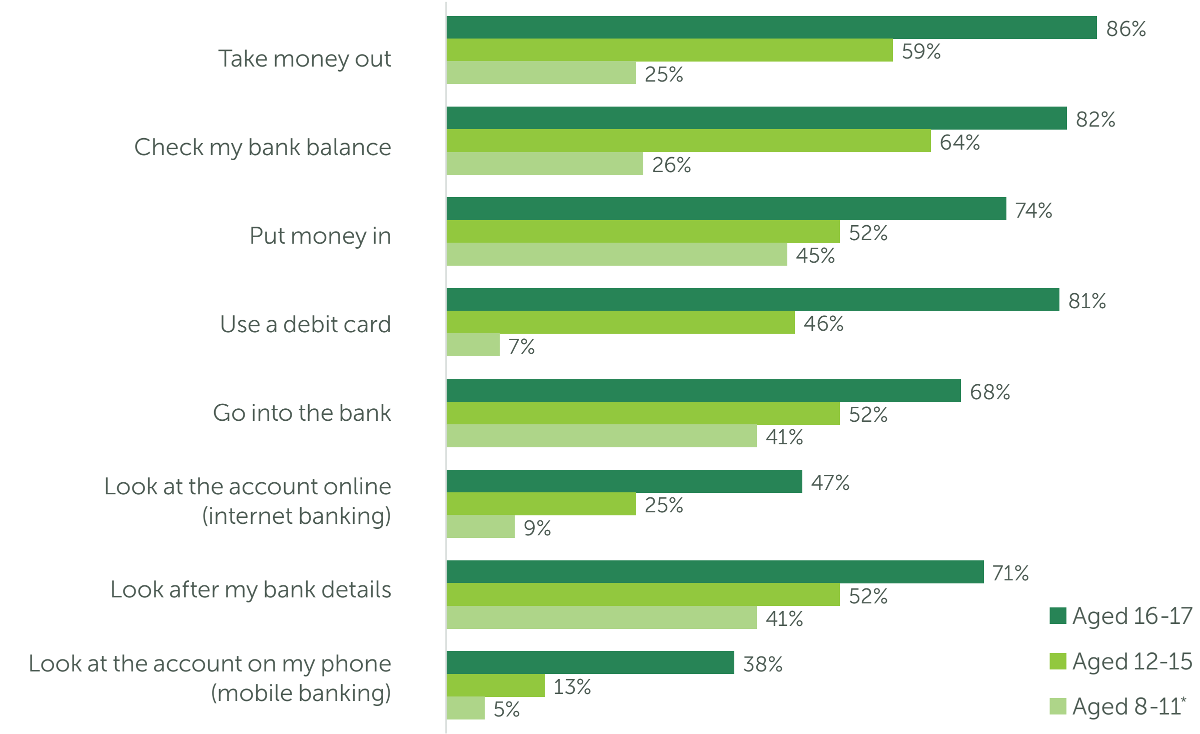


Source: MAS 2016 Financial Capability Survey for Children and Young People. YP2. Do you know what type of bank account you have? Is it a.... (8+) Base: rebased to all children not just those with a bank account n=488

* Low base sizes: 80 (aged 7-11); 61 (irregular money).

Those who do have bank accounts perform a variety of tasks, primarily withdrawing money and checking their balances. All activities increase with age, in particular using a debit card and withdrawing money. Children in Scotland who get regular money are more likely to undertake all of the activities than those who receive money irregularly. What is striking is the absence of many of these behaviours amongst older children – for example, 26% of 16- to 17-year-olds with a bank account do not report depositing money, 32% do not go into the bank, and 29% do not look after their own bank details – however, this latter figure is significantly smaller than the UK average of 40% which suggests children in Scotland are more likely to look after their own bank details than their UK counterparts (Chart 8).

Chart 8: Activities done by children with bank accounts



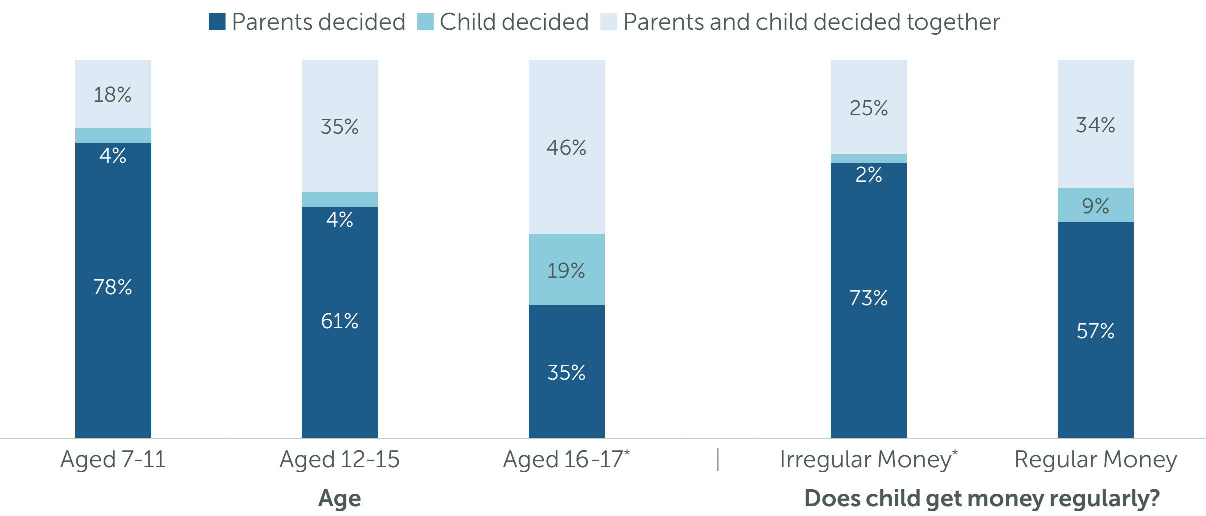
Source: MAS 2016 Financial Capability Survey for Children and Young People. PP19. Which of the following do you do with your bank account(s)...? (8+) Bases vary.

Low base sizes: 81 (aged 8-11)

Who chooses children's financial products?

Overall, parents alone are most likely to choose their child's banking products, with parents in Scotland doing so 61% of the time, albeit a significantly lower proportion than the 67% reported UK-wide. An additional 32% chose jointly and only 8% of children made the decision alone. Children are more likely to be involved in the decision when they are older or when they get regular money. Across the UK as a whole, increasing confidence with money also had a positive relationship with child involvement.

Chart 9: Who chooses children's banking products?

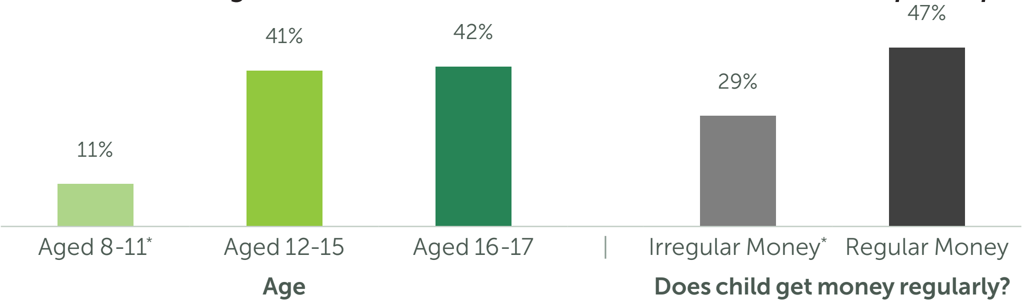


Source: MAS 2016 Financial Capability Survey for Children and Young People. PP9 To what extent was [Child name] involved in the choice of banking products in [his/her] name? 7-17 parents: Base: parents of child with banking product n=397

* Small base sizes: 98 (16-17); 84 (irregular money).

Children, primarily those aged 12–15, seem to be more involved in decisions about mobile-phone plans than banking products, and there is a similar pattern of increased involvement by age and regularity of money. Overall, 88% of children aged 8 and above have a mobile phone and 43% of these children are involved in their choice of package.

Chart 10: Percentage of children involved in decision about their mobile phone package



Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP1. Do you get to have a choice in the cost of your mobile phone call and data package? 8+. Base: All 8-17 with a mobile phone n=350

Low base sizes:78 (aged 8-11); 65 (irregular money).

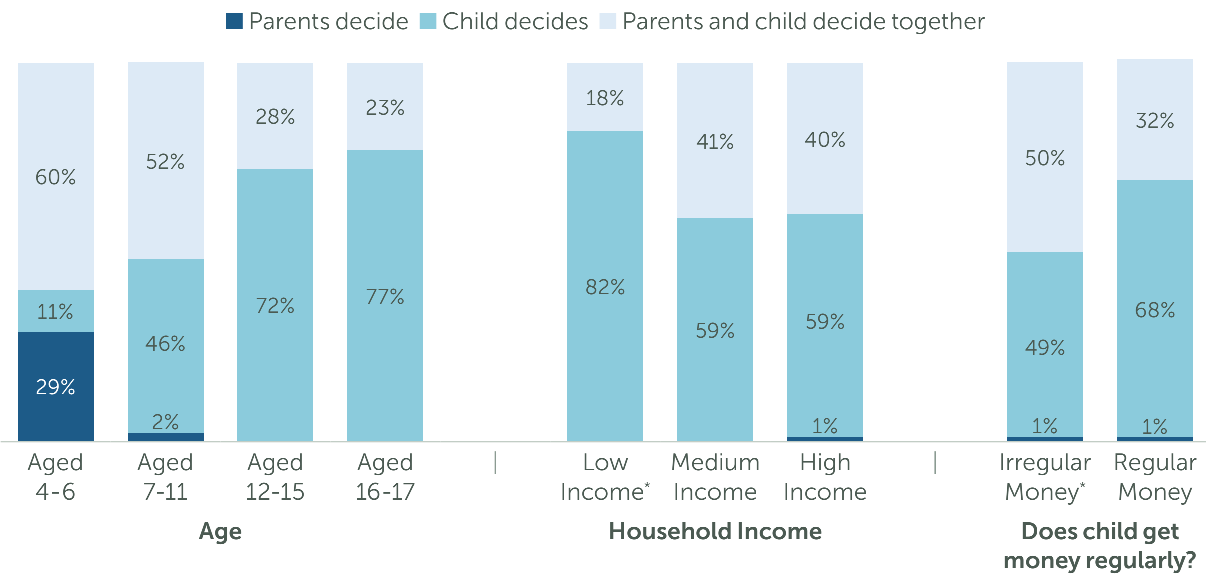
Experiences of managing money and associated risks

Who decides about spending and saving?

When it comes to spending and saving, parents are less likely to make decisions for their child and more likely to give them freedom to decide for themselves, either with or without parental support. More than three-fifths (63%) of 7- to 17-year-olds in Scotland who receive money are responsible for deciding how they spend their own money; 36% decide with their parents; and only 1% have their parents decide; with the latter figure being significantly smaller than the 5% reported UK-wide. As shown in Chart 11, this varies substantially by age.

Only the parents of 4- to 6-year-olds decide in any great numbers how those children's money is spent, and even amongst this group, one in nine children get to make their own decision.

Chart 11: Who decides how child's money is spent?



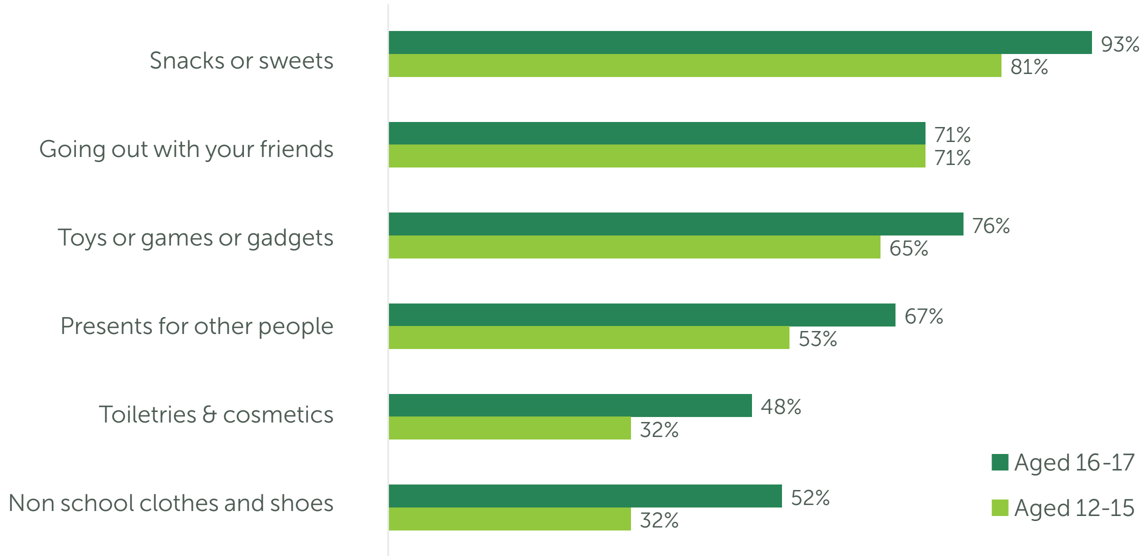
Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP8B (C). When you have money, who usually decides what you spend it on? CYP 7-17 Base: All who get money n=465

* Low base sizes: 74 (low income).

The proportion of children paying out of their own money is higher in Scotland amongst children aged 16-17, apart from going out with friends, where 12-15 year olds are just as likely to pay for this (Chart 12). UK-wide, we also see that (with some exceptions) children in higher-income households, have regular money or are more confident are more likely to pay for each of these items.

According to parents; children who have mobile phones typically have their phone costs paid for them. Overall only 25% of children in Scotland with phones pay all or some of their bill. As across the UK, this increases with age: 21% of 16-to 17-year-olds pay all of their bill and 15% pay some of it. UK-wide children who get regular money are also more likely to pay some or all of their bill.

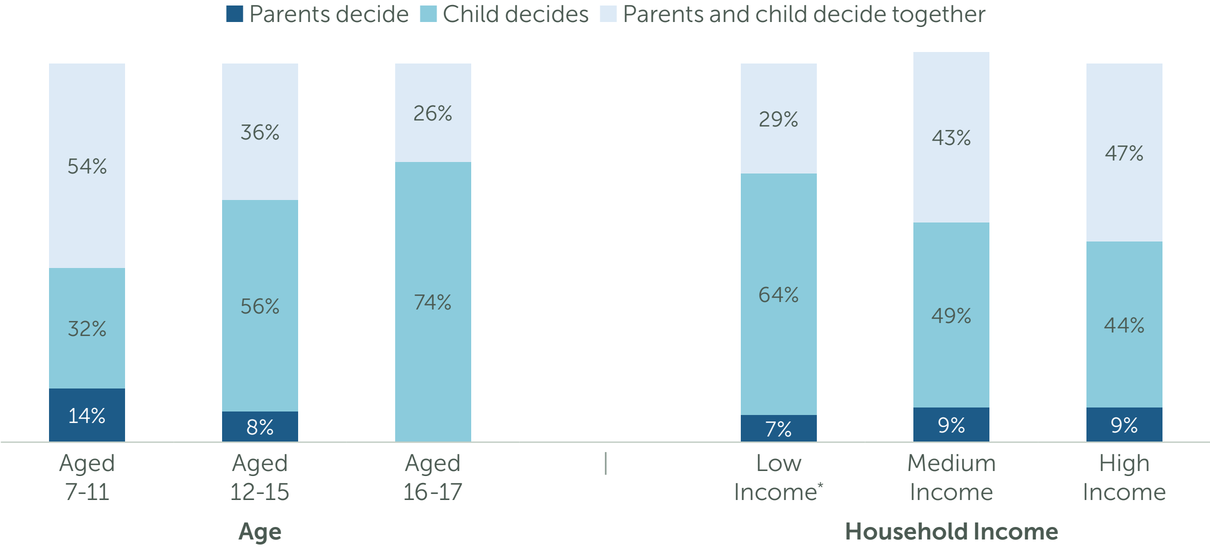
Chart 12: What children pay for out of their own money



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP7 (C). Do you have to pay for any of the following things out of your own money...? (11+) Base: All 11+ with money – bases vary. 11-year-olds not shown due to small base size (31)

Over half (51%) of children in Scotland aged 7-17 say they decide whether or not to save their money, and only 12% report that their parents decide alone. Whilst similar to the UK as a whole, children in Scotland are more likely to report that they make a joint decision with their parents (40% vs. 34%). While this varies significantly by age, it is clear that a reasonable proportion of parents are giving children the sole responsibility of whether to save or not from an early age, albeit less so than across the UK as a whole: 32% (42% UK) of 7- to 11-year-olds in Scotland already have sole responsibility for deciding whether they should save their money. UK-wide children who report never saving are the most likely to say their parents decide whether they should save (18%), followed by those who always save (12%). Those that save most times or sometimes are least likely to say their parents decide (9%) (Chart 13).

Chart 13: Who decides whether children save?



Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP8a When you have money, who usually decides whether you save any of it? 7-17. Base: All who get money n=464

* Low base sizes: 74 (low income).

Do children have experience of paying for things?

Most parents give their children experience of paying for things in shops from an early age, and indeed, significantly more so in Scotland when compared to the UK as a whole. According to parents in Scotland, 71% of 4-6 year-olds, and 93% of 7-17 year-olds have personally paid for goods using either their own or their parents' money. This breaks down to:

- 71% of 4- to 6-year-olds (62% UK). There is evidence across the UK that this rises with each single year of age, although base sizes in Scotland are too small to compare.
- 90% of 7- to 11-year-olds (78% UK);
- 93% of 12- to 15-year-olds (88% UK);
- 98% of 16- to 17-year-olds (80% UK)

Across the UK, it is also higher amongst children who are confident in managing money, and children who save.

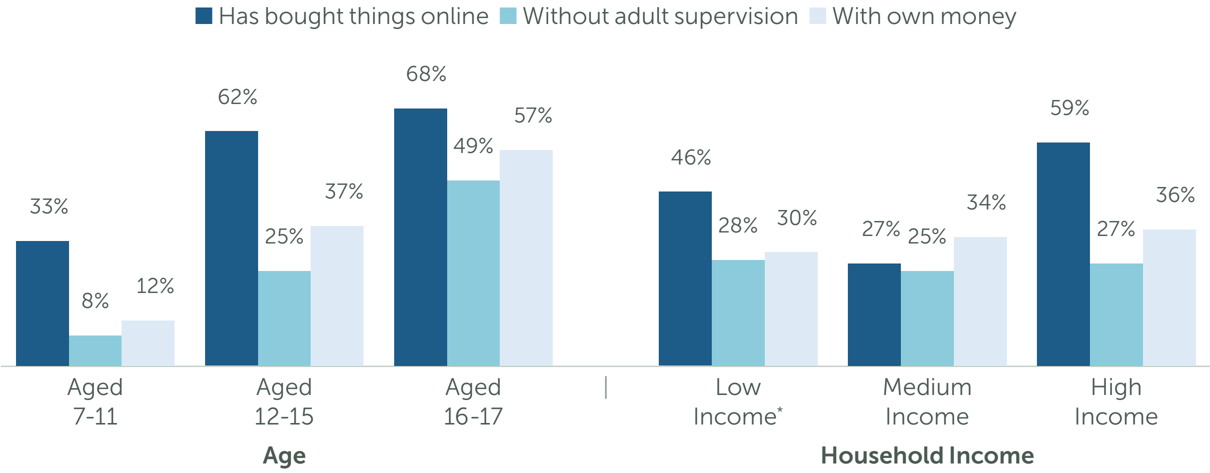
It is also important to look at buying online, as research shows the amount of time spent online by those aged 8–11 and 12–15 in the UK has more than doubled since 2005.[16]

Children aged 7 to 17 in Scotland are significantly more likely to have paid for things online (52% Scotland, 41% UK), whether with their own or their parents' money. Of children who have bought online, on average 46% have done so without adult supervision and 63% have used their own money. This rises to 72% and 83% respectively amongst 16- to 17-year-olds, but even amongst 7-to 11-year-olds, one in four who has bought online (24%) has done so without supervision and 39% have used their own money.

16. From 4.4 hours a week in 2005 to 11.1 hours in 2015 for 8–11-year-olds, and from 8 hours to 18.9 for 12–15-year-olds. Children and parents: media use and attitudes report (Ofcom, 2016)

These statistics are likely to change over time as online shopping becomes even more commonplace. That one in three children aged 7–11 has bought online (Chart 14) highlights how important it is that children understand how to be 'savvy' online, and are clear about the risks that exist. It is encouraging that research by Ofcom shows that nearly all UK parents (99% of children aged 3-4 and 96% of children aged 5-15) use at least one method of mediating their child's internet use, such as using technical tools, talking to their child about the risks, supervising their child whilst online or having defined rules about online access and behaviour. The study also shows that levels of mediation have increased from 2015 to 2016.[17]

Chart 14: Buying online



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP20b (PP). Does [Child name] ever...? : Pay for things online [him/herself], such as apps, games or music (with eisupervision/PP22c ther their money or your money)/PP22b (PP). When [Child name] pays for things online such as apps, games or music, does [he/she]...? : Pay online without adult (PP). When [Child name] pays for things online such as apps, games or music, does [he/she]...? : Use [his/her] own money or online account. Bases vary but all based on all 7-17 year olds.

* Low base sizes: 77 (low income)

17. Children and parents: media use and attitudes report (Ofcom, 2016)

Implications

In general, most children have some degree of experience in using and managing money, starting from a very young age. However, there are some groups who have less experience and may need support to gain the level of knowledge and skills they will need to become financially capable adults.

For most children, experience of money increases with age. Of particular concern in this chapter are the subset of 16- to 17-year-olds who don't have bank accounts, or who do have accounts but don't look after their own details or pay in money. These children are on the cusp of adulthood and may need extra support to look after their financial affairs independently. It is important that young people at age 16–17 get this opportunity.

The other group that stands out as potentially benefiting from more support is children from low-income families. These children are most likely 'never' to save and their parents identify them as least likely to be able to manage their money.

There are also some behaviours, such as active saving, and keeping track of your money, that are associated with higher levels of financial capability in adults, and that some children are not getting the opportunity to learn. It is important that education – both through schools and at home – supports this. There is evidence that habits that children start young are more likely to be maintained into adulthood.[18]

There is a lot that parents can do to help their children to become financially knowledgeable and engaged. Firstly, they could involve children in decisions at a younger age and encouragingly more parents in Scotland give their children experience of paying for things in shops than those in the UK as a whole. While we are not suggesting that parents of younger children should leave them to make choices about bank accounts or phone packages on their own, there is evidence throughout this report that empowering children to make their own decisions – with sufficient, age-appropriate support – leads to better outcomes.

As discussed in the introduction, it is not clear whether confident children are more likely to become involved in decisions about their money, or whether the fact that they are involved makes them confident. There is scope, however, for parents to use talking about the choice of bank account or other financial products as a way of building confidence in managing money. Positively, the research shows that children in Scotland are more likely to have a bank account and to look after their own bank details than those in the UK as a whole.

More children in Scotland are now also spending money online than their UK counterparts and a considerable proportion are doing so unsupervised. There are potentially a number of risks associated with this and it is important that parents prepare their children for these.

We also saw in this chapter that there is a proportion of parents who make their children's spending and saving decisions for them. In subsequent chapters, we will see that doing so is frequently associated with poorer outcomes than when children are involved in decision making. While these parents are no doubt driven by the desire to protect their children, the evidence presented here suggests that their children may instead benefit from support to empower them. Parents themselves may also need support in some instances, to help them engage with their children and feel more comfortable giving them responsibility at a younger age.

18. *Habit Formation and Learning in Young Children* (Money Advice Service, 2013)

Chapter 2: What children think about money

Strengths to build on:

- Most children in Scotland aged 11–17 (91%) agree that it is important to learn about managing their money.
- The vast majority of children (99%) say they would save at least something when given a windfall of £100.
- Children have a cautious attitude towards borrowing: nearly six in ten (62%) would prefer not to borrow, 97% of children say they would not borrow if they could not afford to pay it back and children in low-income families are most likely to reject borrowing.
- Only 16% of children aged 11–17 feel that they are unable to make a difference to their money situation.
- Most children aged 11–17 are aspirational and have life goals such as getting into university and getting a secure job. Only 7% overall had none of the goals we asked them about.
- Almost all children aged 7–17 (96%) have some experience of saving up for a certain amount of time to buy specific things that they want.
- UK-wide, even at the ages of 4–6, children are more likely to choose needs over wants if they identify as a saver rather than a spender, are involved in spending decisions, or have parents who talk to them about money.

Work is needed:

- Children in low-income Scottish households are more likely to feel they are unable to make a difference to their money situation (23%) than those in high-income households (12%).
- UK-wide, children who never save are least likely to be confident in managing their money.
- Children across the UK whose parents decide on their spending are most likely to say they aren't worried about borrowing even if they can't afford to pay it back.
- UK-wide children aged 4–6 whose parents decide on their spending are much more likely to make a poor wants vs. needs trade-off than those who decide for themselves.

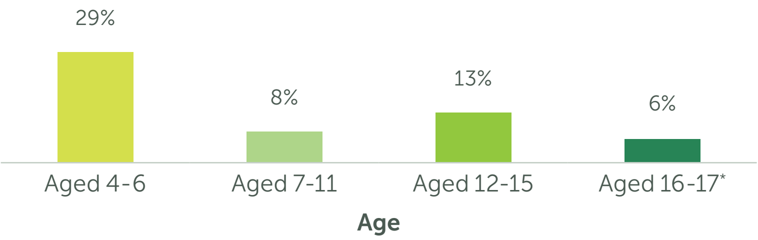
Attitudes to money management

What do children think about spending and saving?

Most children in Scotland had a relatively positive attitude towards saving some money versus spending it all at once. We asked children to imagine they have been given a relatively small amount: £5 for the 4- to 6-year-olds and £10 for the 7-17s. Overall, 71% of 4- to 6-year-olds said they would wait and think what to do with it, rather than spending it all at once, and only 11% of 7- to 17-year-olds said they would not save any of the money, with little divergence by age. Unlike the UK as a whole, where the 16- to 17-year-olds are most likely to spend it all, in Scotland, those aged 12-15 are most likely to spend it all at once (Chart 15).

Children develop considerably between the ages of 4 and 6, and this is reflected in the UK-wide data. At age 4, children find it harder to control their impulses so it is not surprising that they are less likely to save.

Chart 15: Percentage of children who would spend it all at once when given £5 (4–6) or £10 (7–17)



Source: MAS 2016 Financial Capability Survey for Children and Young People. 12. (C) Imagine it was your birthday yesterday and you got GBP5, what would you do with it? 4-6/CYP11 (C). Imagine someone gives you GBP10. How much would you spend and how much would you save for later? (7-17). Base: 4-6 All children n=116. 7-17 All children n=488

UK-wide, children's understanding that it is good to save, and therefore their perception of themselves as a responsible saver also grows between the ages of 4 and 6. This may also be related to their growing experience of using money. These findings are supported by research that demonstrates 4- to 5-year-olds do not fully understand the concept of time, meaning the concept of saving for the future may also be difficult to understand.[19]

When children are asked to think about a larger sum, the picture changes. We asked 12- to 17-year- olds to imagine they have been given £100. With such a sum, there is scope to enjoy spending and still put something by. In fact, the amount may not only have encouraged the spenders to save, but also freed up the savers to spend. The average amount saved in Scotland is just over £60, with this amount being fairly consistent with the UK, and also uniform across age groups within Scotland. Only 1% would save nothing at all, and only 8% would save the whole £100.[20] Further sub-group analysis is not possible at a Scotland level due to sample sizes, but points to note from the UK-wide survey are that:

- The amount children say they would save increases with household income: those in high-income households say they would save more.
- One of the biggest gaps in the amount saved is between those who are confident in managing their money and those that are not confident. We can't know whether the tendency to save drives confidence, or whether confident children save more, but this difference certainly provides evidence of a relationship between the two.
- These findings also demonstrate the importance of children being involved in decisions to manage their money: children choose to save the least (£53.65) when their parents decide how the spend their money and save the most (£62.15) when they decide together with their parents.

19. Ibid.
20. Respondents are very unlikely to choose the extreme ends of a numeric question such as this, so the percentages saying 'nothing at all' and £100 may be artificially low.

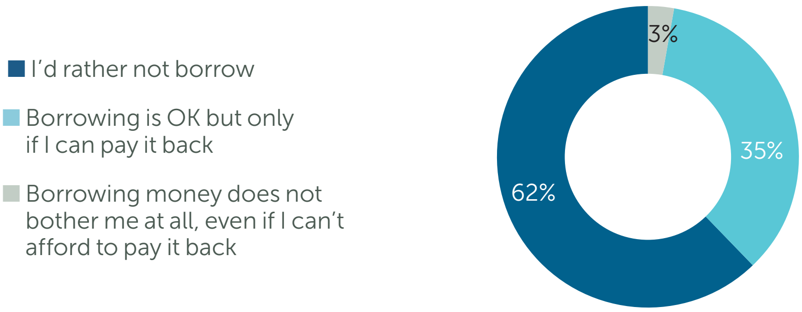
What do children think about borrowing and debt?

Children are cautious about borrowing and debt. We asked 12- to 17-year-olds how they felt about borrowing money and the majority said they would prefer not to; this did not vary with age. Around one-third (35%) in Scotland said that they would be happy to borrow if they could pay it back; whether this reflects a less cautious attitude or a more sophisticated understanding that some sorts of borrowing are beneficial is unclear (Chart 16). It is notable that UK-wide, children in low-income families are most likely to reject borrowing at all.

Very few children (3%) were happy to borrow even if they couldn't pay it back. UK-wide, this figure was significantly higher amongst children whose parents decide how their money is spent, those who never save and those whose confidence in managing money was low.

We also asked 15- to 17-year-olds how they would manage if they needed extra money – to pay an unexpected phone bill, for example. Very few (7%) said that they would borrow the money. Most said their parents would pay (44%) or they would use their savings (39%). However, only 25% currently pay towards their phone bill so it may be that they would not be expected to pay this within their family.

Chart 16: How children feel about borrowing



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP11 (C). Below are some things people your age have said about borrowing money. Which one best describes how you feel about borrowing money? (12+) Base: All 12-17 n=288

Do children understand they cannot have everything?

Many children do understand that they cannot have everything that they want, or that their friends have; that there are trade-offs to be made; and that they should stick to agreements they have made with their parents. They understand it – but that does not mean they always like it, or that they stick to the agreements.

Within Scotland, older children (aged 16–17) are less likely to say that they do not like it when their parents will not buy them the things they see in shops. This may be because they are more mature and realistic, or it may be because they have more money of their own and are more able to buy things for themselves.

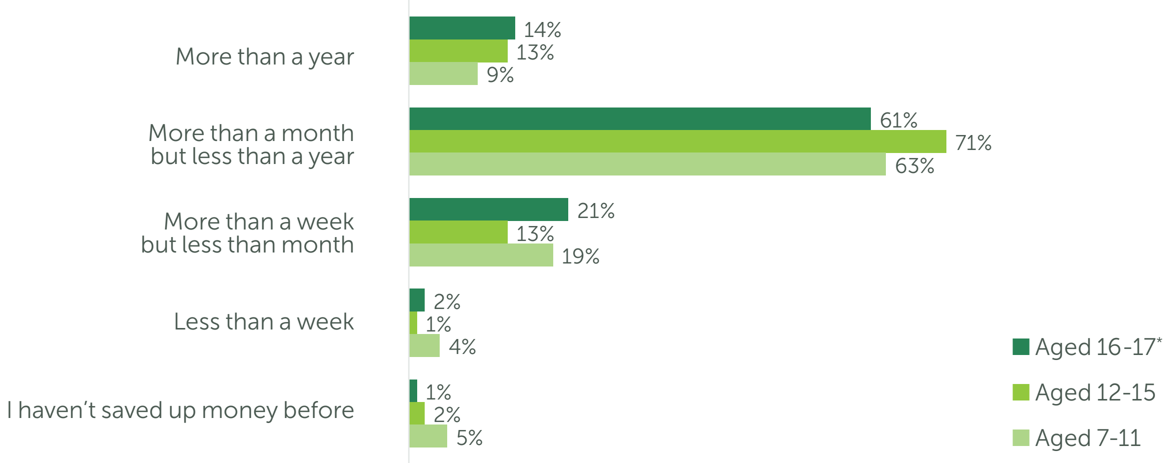
Across the UK, children in low-income households are also less likely to agree with this statement, perhaps because they don't want to burden their parents or simply because they don't expect as much. Within Scotland however, there is greater uniformity of agreement across household income groups.

We also asked 7- to 17-year-olds whether they agreed with the statement: "I don't like it when friends have things I don't have". Overall, 52% agreed. UK-wide children who never save are most likely to agree.

Children are also fairly good at recognising that they cannot have everything they want when buying online. Overall, 92% of parents in Scotland say their children will stick to the agreements they have for online spending. UK-wide findings however indicate that this drops to only 66% of those where the parent decides how the child spends their money – further evidence of the importance of involving children with their own finances.

Saving up for a particular item is a good way for children to understand choices and trade-offs. Most children aged 7–17 have some experience of saving up for the things they want. Overall, only 3% say they have never saved up for anything and 12% have saved up for more than a year. Younger children are the least likely to have saved.

Chart 17: Longest time children have saved up for

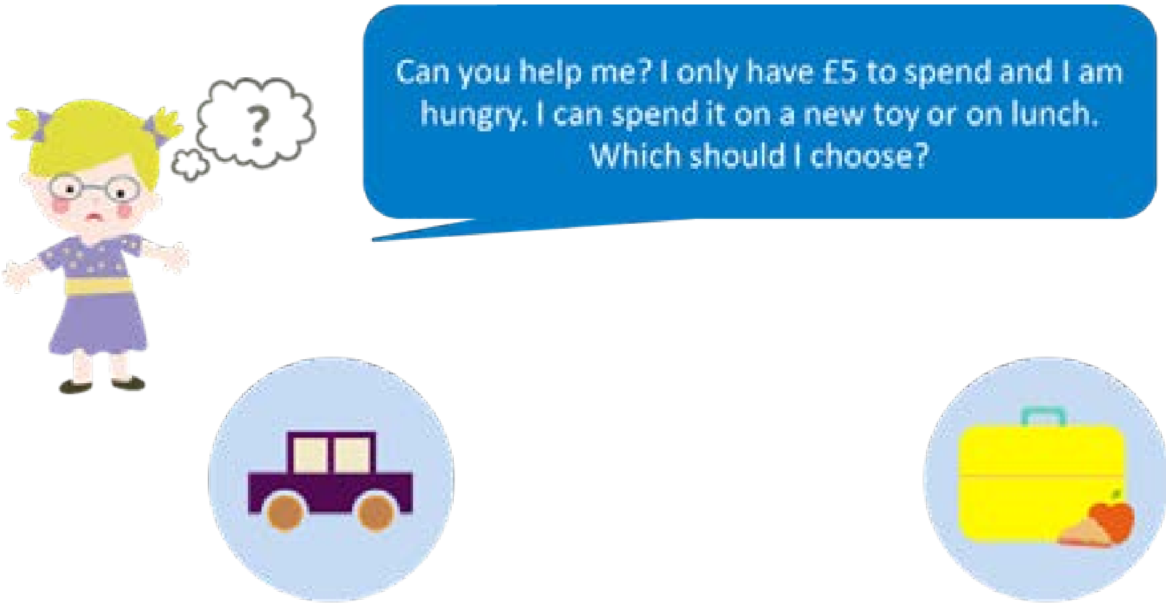


Source: MAS 2016 Financial Capability Survey for Children and Young People. CYP6 (C). What is the longest time you have saved up for? (for example to buy something you wanted) (7-17). Base: All children n=437

* Low base sizes: 99 (age 16-17)

We gave 4- to 6-year-olds a simple scenario to see how well they understand making trade-offs (Figure 1). The scenario asked them to make a choice between something they want (a toy) and something they need (lunch). Whilst 74% in Scotland overall would buy lunch, we see in the wider UK-context that children aged 4 are most likely to choose the toy. This is not a surprising finding as it relates as much to their stage of development as it does to other factors such as attitude to money and understanding of trade-offs. UK-wide other factors such as who decides about spending, describing oneself as a saver or a spender, and parents talking to the child about money, are also linked to this.

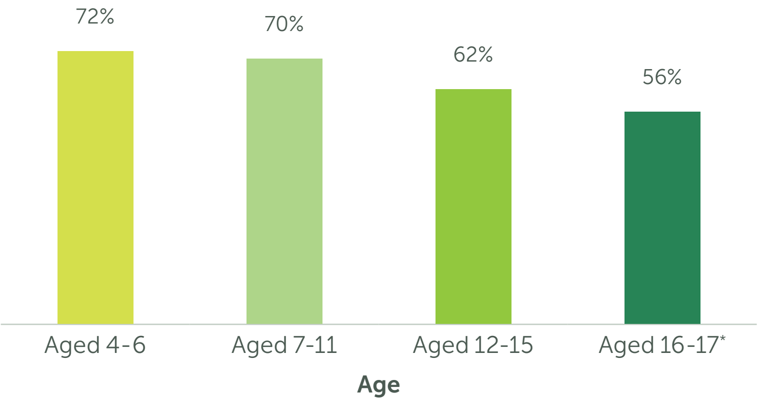
Figure 1: Trade-off scenario for 4- to 6-year-olds



Despite children knowing they cannot have everything, many of them still 'try their luck' and ask for things after they have been refused. Overall, as in the UK, asking for things declines in Scotland as child age increases. Overall, seven in ten 4- to 6-year-olds and nearly two-thirds of 7- to 17-year-olds do this, demonstrating a key challenge parents face and may need support on.

Across the UK, children are most likely to continue to ask when children and parents decide about spending together. It may be that, rather than children failing to understand that money is limited, we are seeing children who are used to negotiating with their parents on money matters.

Chart 18: Percentage of children who ask for things after being told they cannot have them



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP20c. (PP) Does child ever? Ask for things after he/she's been told he/she can't have them. Parent answered 4-6 Parent answered 7-17. Those answering 'Yes'. Base: All 4-6 n=115, All 7-17 n=486

Do children feel confident and in control of their finances?

Overall, only 16% of 11- to 17- year- olds in Scotland agreed with the statement "Nothing I do will make much difference to my money situation". This is encouraging, as this question is a good indicator of financial engagement in adults, and is generally in line with the UK.[21] Across the UK, agreement is significantly higher amongst children from low- income homes. Again, in the UK, we see evidence of the relationship of positive attitudes to involving children in decisions, and to financial confidence.

We asked 12- 17-year-olds how confident they feel in managing their money. Overall 44% in Scotland felt confident, including 41% aged 12-15, rising to 48% aged 16-17.[22] Across the UK, by far the biggest difference was between children who save every time they receive money and those who never save. Again, it is not clear whether saving instils financial confidence, or financially confident children save, but there is a clearly a link. It is also of note, that across the UK, household income was not significantly linked to confidence.

21. *Measuring financial capability – identifying the building blocks* (Money Advice Service, 2016).

22. Those who scored 8–10 out of 10 for the question 'How confident do you feel managing your money?' were classified as 'Confident'.

Goals and aspirations

Do children want to learn about managing money?

The vast majority of 11- to 17-year-olds in Scotland agree that it is important to learn to manage their money. Overall 91% in Scotland agree, and this is consistent between 12-15 and 16-17 year-olds. UK-wide, there are variations with household income, responsibility for spending decisions, saving frequency, and confidence.

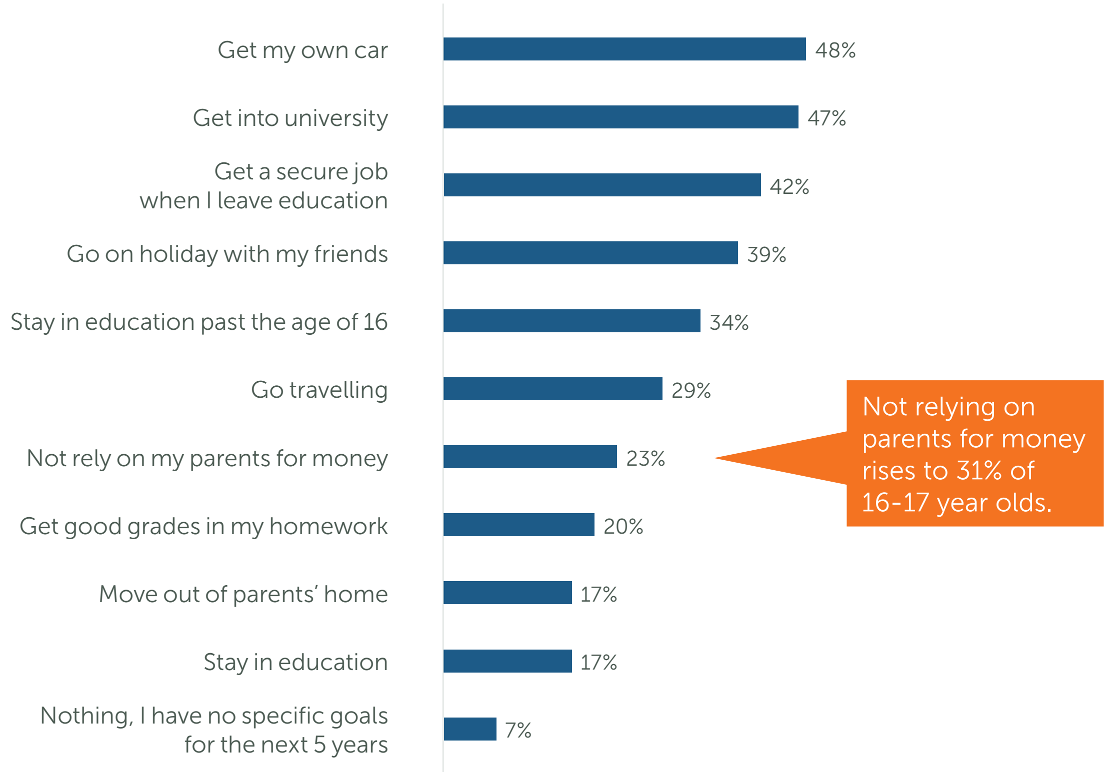
Agreement is lowest across the UK where parents decide how children's money is spent, but even here nearly four out of five children aspire to learn, which suggests that children will be receptive to the right type of interventions and education.

What are children's life goals?

As well as aspiring to learn about their finances, children aged 11–17 have a broad range of life goals. Overall, only 7% had none of the suggested goals. The most popular is getting a car, which is only ranked third for the UK as a whole, although the UK-wide aspirations of getting into university and getting a secure job are also prominent within Scotland. Across the UK as a whole, there was considerable variation in goals by confidence in managing money, which raises some more questions for us to explore regarding the role financial confidence plays and its relationship with other outcomes.

It is interesting to note only 23% in Scotland have a goal to be financially independent from their parents within the next five years, and this is significantly lower than the 31% reported across the UK. This supports previous research that found the concept of independence was the key driver for this age group, but that the financial responsibilities that come with it was not seen as part of this broader independence.[23]

Chart 19: Children's five year goals



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP13. Which, if any, of the following goals would you like to achieve in the next 5 years? (11+) Base: All 11-17 n=339

23. *Young Adults' Financial Capability* (Money Advice Service, 2016)

Implications

Overall, this chapter has painted a positive picture of the majority of children: they have aspirational life goals, they know that money is limited, and they feel in charge of their financial situation. They also think it is important to learn to manage their money and encouragingly tend to feel they can do something to make a difference to their money situation. However, this is not the case for all children. The potential role of confidence in managing money was highlighted in this chapter as across the UK children with low confidence had fewer goals and felt less in charge. Further research may be valuable to understand more about the relationship between financial capability and confidence, to inform interventions to boost children's financial confidence.

The links between confidence, frequent saving and making one's own financial decisions also came to the fore. As discussed in Chapter One, it is important to support parents to empower their children and to support children to save regularly, no matter how much they are able to set aside.

Whilst saving frequency is not as high as it could be, nearly all children in Scotland have saved up for something at one time or another. It is also positive that even those who do not normally save expect to do so when given a windfall.

The majority of children, and particularly those in low-income families in the UK, are cautious about debt and over-indebtedness. This is particularly interesting in the context of the adult Financial Capability Survey which found that young adults aged 18–24 are the most likely to be over-indebted.[24] This suggests that there may be value in further research to unpick understanding of and attitudes to 'good' vs. 'bad' borrowing – ie, borrowing for consumption vs. borrowing for investment or long-term benefit – and understanding what changes during the transition to adulthood. There may also be room to explore the nuances of the issue of debt in more detail with all children through education at school. The adult Financial Capability survey also highlights that there is a clear relationship for adults between saving, spending and borrowing. This supports the idea that children should not be taught about these concepts in isolation and instead any teaching about the three should be interlinked.

Financial independence was an issue that reappeared in this chapter. Some of the children who are closest to adulthood are not showing signs of financial independence, such as paying their own unexpected bills, or wanting to be free of relying financially on their parents in the next five years and interestingly children in Scotland are least likely to have this as a goal, compared to other nations in the UK. This emphasises again the importance of 'just in time' financial education, equipping young people with the knowledge and skills they need to tackle the real-life challenges they will face as they assume the full financial responsibilities of adulthood.

24. *Young Adults' Financial Capability* (Money Advice Service, 2016)

Chapter 3: What children know about money

Strengths to build on:

- Most children in Scotland know about the most familiar financial products, such as bank accounts and credit and debit cards, and their knowledge tends to be better than in the UK as a whole.
- Most children understand that money has a value (60% of parents of 4- to 6-year-olds and 88% of parents of 7- to 17-year-olds thought their children understood this). Most also understood what needs to be paid for in our society, such as utilities, rent and mortgages.
- Most (83%) of the 11- to 17-year-olds were able to think about whether an item they wanted to buy was good value for money.

Some key UK-wide findings include:

- Children who make their own money decisions have better financial knowledge in many areas and are more likely to explain their spending choices.
- Financially confident children have better financial knowledge across the range of measures.
- There is a leap in knowledge and engagement with money at the age of 6.

Work is needed:

- While most children know about familiar financial products, there is a knowledge gap around more complex products, such as bonds and investments. However, this knowledge gap is not as pronounced as in the UK generally.
- There was a knowledge gap around relatively simple concepts such as inflation, with only 69% of 12- to 17-year-olds knowing that 'inflation' was the term for prices going up in the shops.
- Only 54% of 12- to 17-year-olds in Scotland, correctly answered a numerical question concerning interest and inflation.
- Around one in five (19%) of 12- to 17-year-olds in Scotland were unable to correctly identify from looking at a bank statement how much was in the account.
- Reading a payslip presented difficulties for 14- to 17-year-olds, although not as much as across the UK in general: 39% could not identify pension contributions and 55% could not identify how much had been paid.
- Only 36% of 14- to 17-year-olds often or always plan how they are going to buy the things they need.

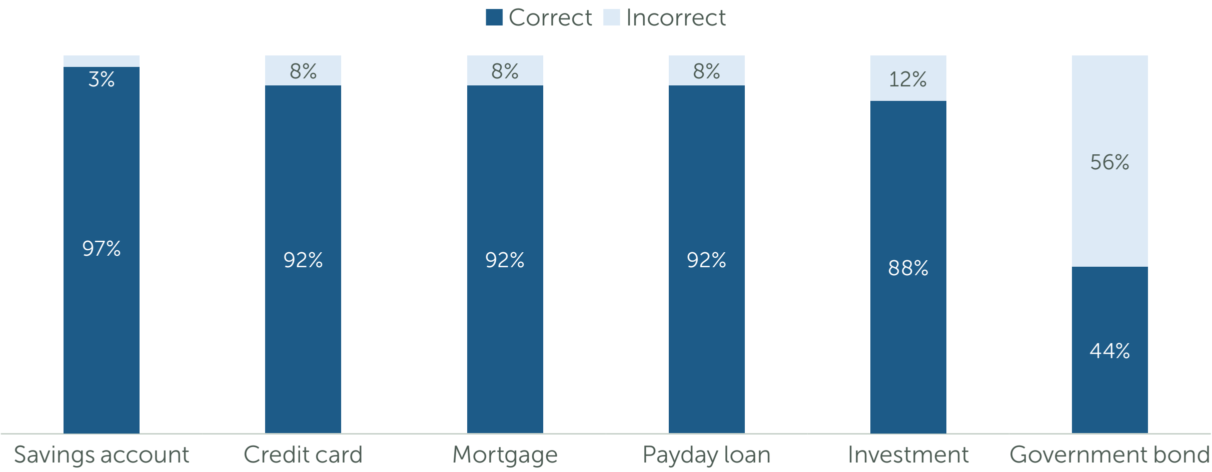
Understanding financial products and concepts

Do children understand how the main financial products work?

Children understand the most familiar financial products, but there is a gap in education about less well-known products and concepts. Overall, 90% of 7- to 17-year-olds in Scotland know what a bank account is, which is significantly higher than the 81% reported UK-wide.

We additionally asked 14- to 17-year-olds to tell us whether particular financial products either helped your money grow, or needed to be paid back later. Compared to the UK, knowledge of financial products is higher in Scotland, indeed, significantly so for all products except for government bonds. Across the UK, we tend to also see heightened awareness amongst high-income households, and amongst children who decide on spending, always save, and are confident in managing money.

Chart 20: Do these financial products make your money grow or need to be paid back later



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP19 (C). Look at this list, and choose which ones make your money grow, and which ones give you money now that has to be paid back later...? Incorrect includes DK. CYP 14+ year olds . Base: All 14-17 year olds n=237

Children also understand the difference between direct debits, and debit and credit cards. Overall, 95% of 14- to 17-year-olds knew that direct debits take money from your bank account each month and 97% got a question about the difference between credit and debit cards right– the latter figure is significantly higher than the 92% reported UK-wide.

However, whilst children are aware of the basic products, there are still around one in five (19%) of 12- to 17-year-olds in Scotland who are unable to correctly identify how much was in a bank account when looking at a bank statement, and is comparable to the 21% of 18- to 24-year-olds in Scotland who incorrectly answered this question in the Adult Financial Capability Survey of 2015.[25] This indicates that whilst most children know what a bank account is, some still lack the practical experience of deciphering bank statements. . We do see across the UK, that children in low-income households and those that never save are more likely to get this wrong, while those who are more confident are more likely to get it right.

We did not expect younger children to know about financial products, but we did ask their parents how often they showed their child the different ways there are to pay for things. 63% of parents of 4- to 6-year-olds said they did this sometimes or often. This is compared with 79% of parents of 7- to 17-year-olds; this suggests that there is an opportunity for parents to start showing children at a younger age. Within both Scotland and the UK as a whole, parents in higher-income households were more likely to show their children different ways of paying. UK results also indicate that this was also more common when children decide about spending or they decide together; when they save; and among confident children.

25. It is important to note that the 18- to 24-year-olds who got this wrong did not do so because they were only using mobile banking. *Financial Capability in the UK 2015* (Money Advice Service, 2015

Do children understand financial concepts and terminology?

Children understand some financial concepts and terms – but by no means all those they are likely to need in adulthood. We asked children aged 12–17 a question designed to see if they understood financial concepts and terms (Figure 2).

Figure 2: Financial concepts and terms question

Can you pick the word that best fits this description?

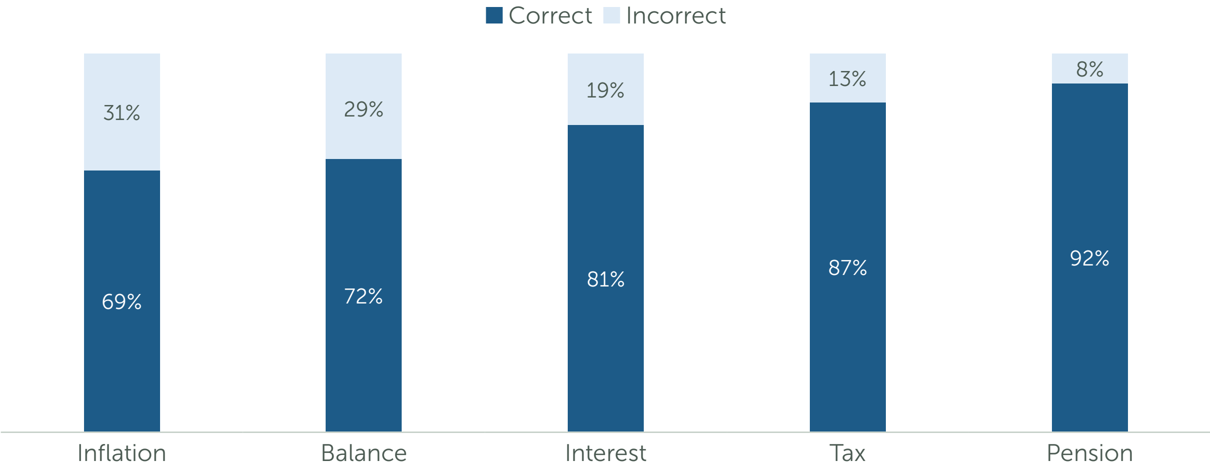
- The amount the price of things in shops goes up by
- The money that is added to savings by banks or building societies
- The money people pay to government
- The money you get when you retire from working
- The amount of money you have in your bank account

1. Interest	2. Pension	3. Inflation	4. Balance
5. Tax	6. Benefit	7. Credit	8. Debit

Overall, over four out of five children in Scotland understood what 'tax' 'pension' and 'interest' meant, but only around seven in ten got 'inflation' and 'balance' right (Chart 21). Excepting tax, understanding of each term is significantly higher than across the UK in general, particularly so in relation to interest (81% Scotland, 67% UK). Where children are incorrect, they typically said that they didn't know, rather than picking the wrong answer although 12% thought that the price going up in shops was 'interest' and 11% thought the amount you have in your bank account was 'credit' (perhaps knowing that the account was in credit, or associating the term with having credit on their mobile phone).

There is some work to do here to improve knowledge of these basics. Children aged 16–17 and those in high- income households, are more likely to be correct. Additionally, across the UK we have seen that 'every time' savers, and those confident with money also generally record more robust knowledge levels. (Chart 21).

Chart 21: Can you pick the word that best fits this description?



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP18 (C). Can you pick the word that best fits this description...? Incorrect includes DK. CYP 12+ year olds . Base: All 12-17 year olds n=303

The final test to see if the children interviewed understood financial concepts was to show a payslip to the 14- to 17-year-olds and ask them to identify how much had been paid towards the worker's pension, and how much they had earned that month. Again, children in Scotland fare well, with correct responses significantly above the UK average: 61% (49% UK) identify the pension contribution, and 45% (38% UK) earnings. There is no improvement in terms of giving correct answers as child age increases (unlike the UK), which suggests that children in Scotland who learn these skills learn them at a young age but there is a gap for those that are older and have not yet. This may be of concern given that these children are likely to be working soon, if they are not already.

We also observe that UK-wide, correct answers are lowest amongst those in low-income households and those with low confidence.

Can children work out the effects of interest and inflation?

We gave children problems to solve, relating to interest and inflation; a high proportion struggled with the questions (Figure 3).

Figure 3: Interest and inflation questions

Interest: Suppose you put £100 into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made? (11–17)

Combined interest and inflation: If the inflation rate is 5% and the interest rate you get on your savings is 3%, will your savings have more, less or the same amount of buying power in a year's time? (12–17)

Children in Scotland are significantly more likely to have got either question correct in comparison to UK-wide counterparts: Three in five children aged 11–17 (59%, 50% UK) got the 'interest' question right and 54% (47% UK) of 12- to 17-year-olds got the 'combined interest and inflation' question right. For the combined question, those aged 16-17 are less likely to be incorrect, and also for both questions, those in high-income households[26]. UK-wide, being involved in financial decision making, and financial confidence are factors; but even among these groups the proportion answering correctly was 70% or below for both questions.

A number of the children correctly identified the terms in Figure 2 but were nonetheless unable to get these answers right. It is possible some may have made 'lucky guesses' on the terminology but this is more likely to suggest they lacked the numeracy skills to answer these questions correctly, or that they were unable to apply them in a practical financial situation.

Comparing these results with those of adults aged 18–24 in Scotland from the Adult Financial Capability Survey in 2015, shows that this is an area that young adults struggle with too. Overall 62% correctly answered the interest question and only 45% got the combined interest and inflation question right.[27] This, and the finding above that similar proportions of young adults struggle with reading a bank statement, casts the children's results in a new light: as young adults struggle with these questions, perhaps the case for earlier financial education is strengthened as they do not appear to be 'learning on the job' when they enter adulthood.

We gave the 4- to 6-year-olds the question shown in Figure 4, which was designed to see if they could both recognise the value of the coins shown and perform the sum to decide which coins were needed. Young children more closely reflected UK results here, 67% got the correct answer. UK-wide the proportion answering correctly increases with age, with 6 year olds most likely to answer correctly. This suggests a considerable leap in financial skills and knowledge at the age of 6. This may well be linked to developmental stages, or the increased intensity of the education they are receiving at this age.

26. Low base size: 61

27. *Financial Capability in the UK 2015* (Money Advice Service, 2015)

Figure 4: Coins and adding question – 4- to 6-year-olds

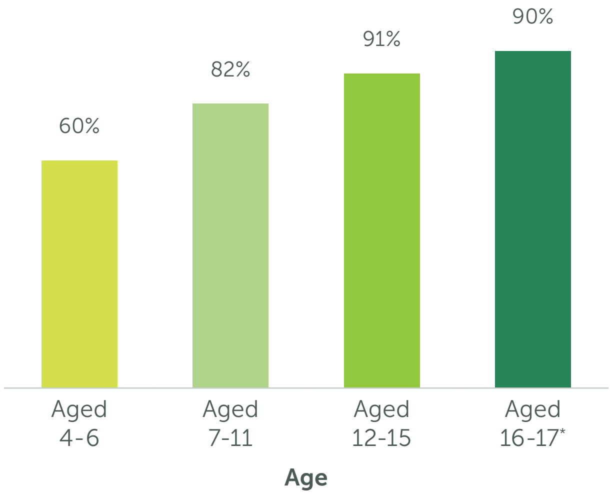
Understanding the value of money

Do children know that money has a value?

Overall 60% of parents of 4- to 6-year-olds, and 88% of parents of 7- to 17-year-olds, thought their children understood 'very well' or 'quite well' that money has a value; for 7- to 17-year-olds, this figure is 88%, which is significantly higher than the 83% reported UK-wide.

UK-wide, we also observe behavioural differences (decision making and saving behaviour), but what is most striking about the results across the UK is the attitudinal difference: more than twice as many confident children as not-confident children understand that money has a value.

Chart 22: Percentage of parents who say their children understand that money has a value



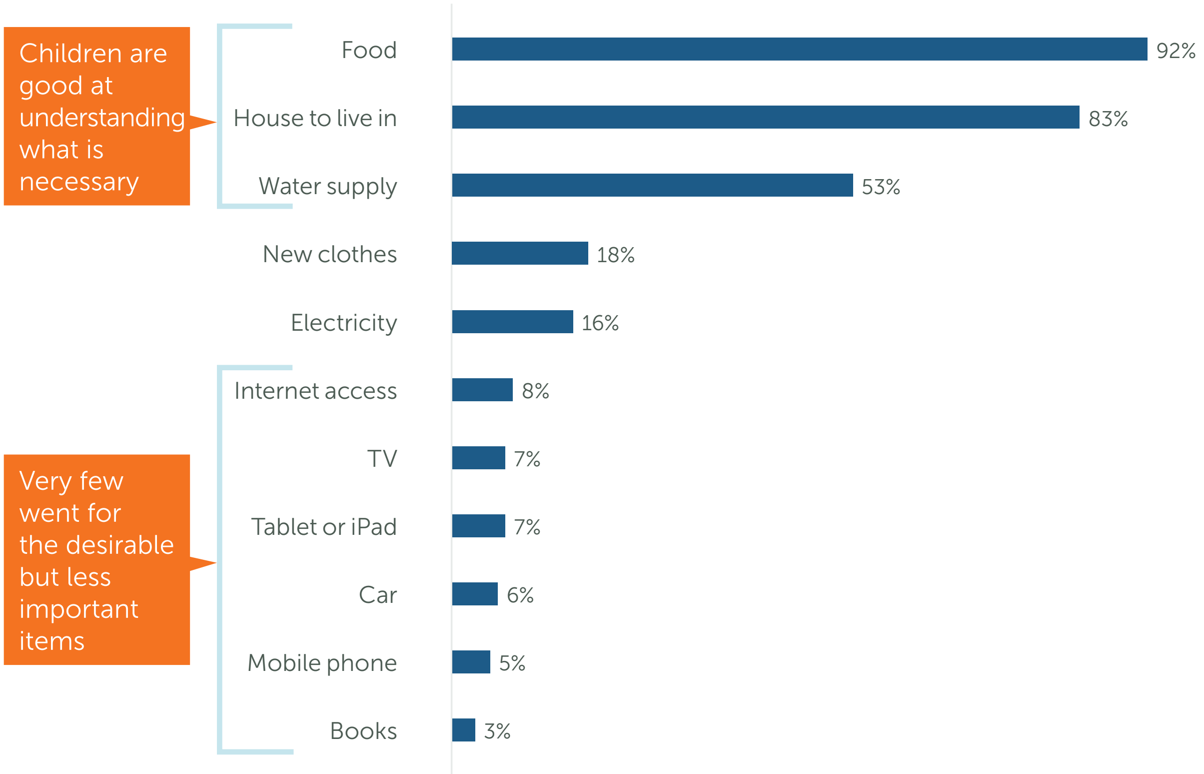
Source: MAS 2016 Financial Capability Survey for Children and Young People. PP24a. (PP) How well do you think child understands that money has a value? Parent answered 4-6 Parent answered 7-17. Those answering 'Very well' or 'Quite well'. Base: All 4-6 n=116, All 7-17 n=487:

* Low base sizes: 78 (low income).

Do children understand the difference between 'want' and 'need'?

We wanted to understand how well children understood the difference between items that are necessary, and those that are 'nice to have'. To do so, we set a scenario for 7- to 11-year-olds of a 16-year-old alien called Zig coming to Earth and having to make a variety of financial decisions (see Chart 23). Most children in Scotland had little difficulty in working out what Zig would need to live on Earth, and only a few thought he would need less important items such as a mobile phone or internet access. We cannot be sure about the degree to which this ability to work out what the alien would need translates to an understanding of the difference between want and need in the children's own lives, but it does give an indication that children understand certain things are necessities. Children in Scotland tend to gravitate towards the same items as those across the UK in general.

Chart 23: Zig is 16, and he is an alien who has come from another planet to live on Earth. He can choose up to three of the items you see below. Can you pick the three most important things you think he needs to live here?



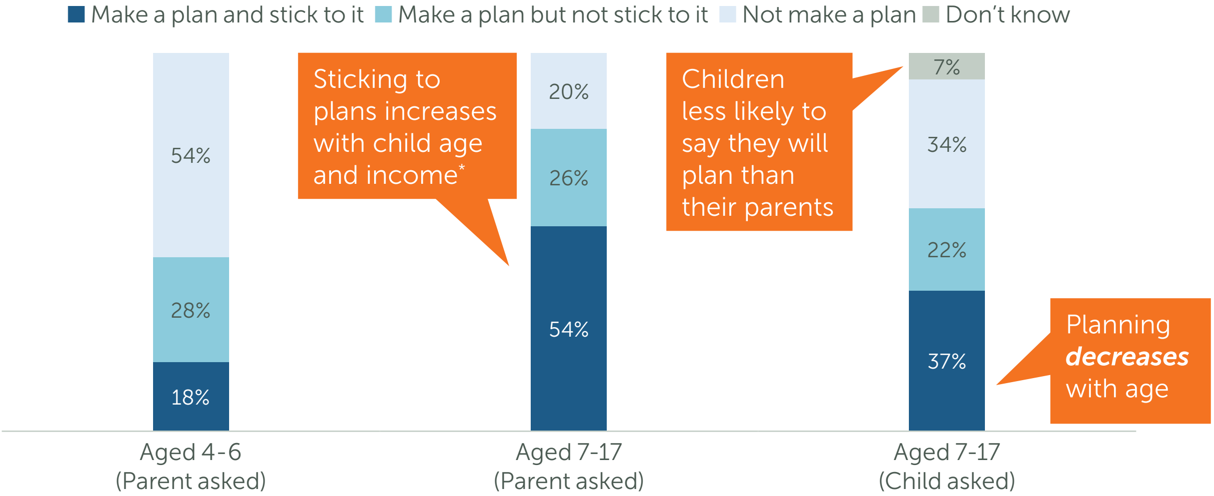
Source: MAS 2016 Financial Capability Survey for Children and Young People. C2 (C). Zig is 16, and he is an alien who has come from another planet to live on Earth. He can choose up to 3 of the items you see below. Can you pick the 3 most important things you think he needs to live here? CYP 7-11 . Base: All 7-11 year olds n=184

Knowing how to budget

Can children make – and stick to – a spending plan?

We asked all parents if they thought their child would be able to make a plan for how to spend £5 on a day out, and then if they would be able to stick to the plan. We asked the 7- to 17-year-olds the same question. Amongst the parents in Scotland, the proportion that thought their child would stick to such a plan increased with the age of the child, but amongst the 7- to 17-year-olds, the likelihood is fairly uniform across age groups. This may suggest that parents and their children have differing perceptions of how well the children are able to budget.

Chart 24: Whether children can make a plan to spend £5



Source: MAS 2016 Financial Capability Survey for Children and Young PeopleNQ98. (PP) Imagine you gave child 5 to spend on a school trip or day out, would he/she make a plan in advance of how much to spend on different things like sweets or presents? 4-6, 7-17. NCYP10 (C). Imagine you were given GBP5 to spend on a school trip. Would you plan how to spend the money and then stick to that plan? For example, would you work out how much you want to spend on different things like sweets or presents. All CYP 7-17. Base: All parents of 4-6 year olds n=108, all parents of 7-17 year olds n=448, all 7-17 year olds n=488

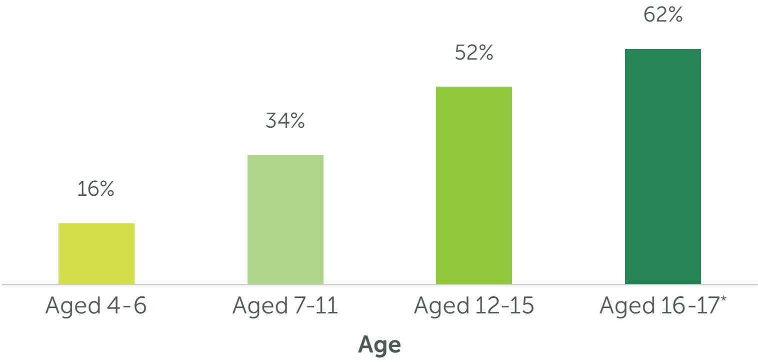
We also asked 14- to 17-year-olds how often they plan how they are going to pay for the things they need. Overall, 36% said 'always' or 'often', 47% said 'sometimes' and 16% said 'never' or 'rarely'. UK-wide, we did note that planning 'always' or 'often' increased with age (albeit not in Scotland), saving frequency and confidence in managing money.

Can children explain the choices they make?

Children's ability to explain their choices increases with age, and largely, the proportion of parents in Scotland who say their children can always explain the choices they make is not dissimilar to the proportion who say their children can make and stick to a plan – and this is still higher than the children themselves report. Perhaps when children give a plausible explanation of their choices, this serves to convince parents that there was a plan in place. Overall, 16% of parents of 4- to 6-year-olds and 47% of parents of 7- to 17-year-olds say their children are always able to explain the choices they make when they spend their money (Chart 25).

We also wondered to what extent children's choices were influenced by their peers, so we asked 11- to 17- year-olds if they thought about whether their friends would approve of an item they wanted before they bought it, and 54% said they did so sometimes or often. This increased with age from 36% of 11- to 14-year-olds, to 62% of those aged 16-17. UK-wide, we also observed that this rose to 64% of children in high-income households.

Chart 25: Percentage of parents whose children can always explain their spending choices



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP25c. (PP) Is child able to explain the choices he/she makes when he/she spends his/her money. Where child has or receives money of their own. Those answering 'Always'
Base: All 4-6 n=108, All 7-17 n=445

Do children evaluate 'value for money'?

Overall most 11- to 17-year-olds think about whether something they want to buy is value for money: 83% in Scotland said that they did so sometimes (47%) or often (36%). UK-wide they are more likely to think about value for money if they saved regularly or if they are given regular money.

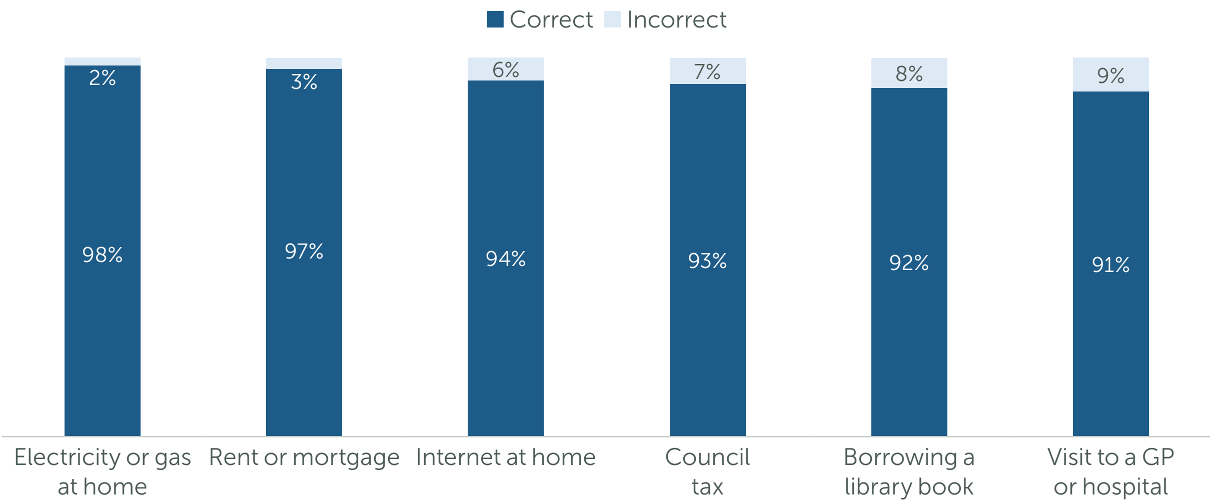
We also asked if they shopped around to compare prices and overall 86% said they did sometimes or often. This too varied with getting regular money (76% irregular[28], 89% regular), although sample sizes mean that differences by age and income observed across the UK are not reported for Scotland. This and other evidence, particularly in Chapter One, suggests that having regular money is linked to engagement in finances.

Understanding the role of money in society

Do children understand what is free and what we pay for?

Chart 26 shows that children have a good understanding of what needs to be paid for in our society. As with the picture across the UK, children generally have a very good understanding of what financial obligations that people might have.

Chart 26: Whether children know which of these adults normally get free and which they normally pay for?



Source: MAS 2016 Financial Capability Survey for Children and Young People. YP28b (C). Which of the following things do most adults pay for, and which do most adults get for free...? Incorrect includes DK. CYP 14+ year olds . Base: All 14-17 year olds n=237

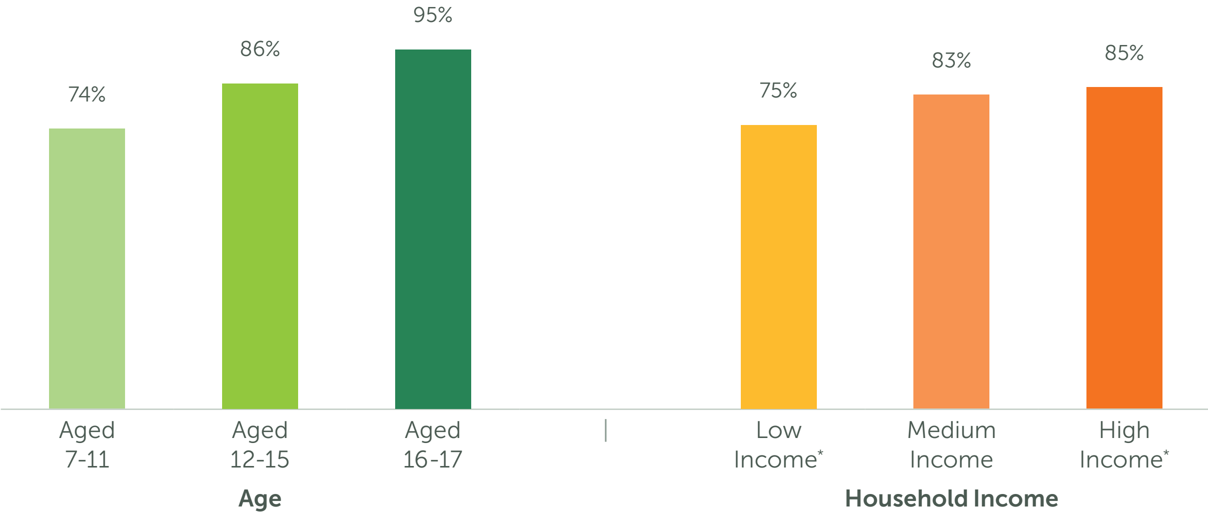
28. Low base size: 61

We also asked 14- to 17-year-olds if they knew the consequences of not paying Council Tax. Overall, two-thirds across Scotland (66%) were correct. This rose to 72% amongst 16- to 17-year-olds against 60% for 14-15-year-olds. UK-wide there was little difference across age groups.

Are children savvy about advertising?

Parents in Scotland are fairly sure that their 7- to 17-year-old children understand advertising: 84% believe their children understand it 'quite well' or 'very well'. Within Scotland, age and household income are linked to understanding, whilst across the UK as a whole, we additionally see that financial responsibility and confidence are also linked to understanding.

Chart 27: Percentage of parents who say their children understand very or quite well that adverts are trying to sell them things



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP24d (PP). How well do you think [Child name] understands that adverts and some TV programmes are trying to sell them things? CYP 7-17 Those answering 'Very or quite well' Base: All parents of 7-17 n=473

* Low base sizes: 74 (low income)

As might be expected, parents of 4- to 6-year-olds in Scotland are least likely to think their children understand advertising, with only 48% saying their children understand it very or quite well. UK-wide, we also observe that this is lowest amongst parents of 4 year-olds.

We also asked 4- to 6-year-olds directly for their thoughts on advertising: 50% thought that adverts were to show you things that you could buy, whereas only 21% thought they were to make you buy things. Another 24% thought they were just for fun or for a break.

These results should be seen in the context of an Ofcom report in 2015 which revealed that a quarter of 12- to 15-year-olds who play games say they see 'pay to win' advertising in all or most games they play, and about a quarter of parents are concerned about their child being pressured to spend money online. Only 16% of 8- to 11-year-olds and 31% of 12- to 15-year-olds are able to correctly identify advertising displayed in online search results, and less than half understood that advertising could be personalised to them.[29]

Parents of 7- to 17-year-olds were also asked whether they talked to their children about the fact that advertising happens online and 68% said they did so sometimes or often – within Scotland, this figure is fairly uniform across all age groups, whereas across the UK, parents of the 12- to 15-year-olds had been the most likely to say so.

29. Children and Parents: Media Use and Attitudes Report (Ofcom, 2015)

Implications

Children in Scotland appear to have much better financial knowledge than their counterparts across the rest of the UK, including around understanding financial products, ability to read a payslip and calculating interest and inflation. However, many children in Scotland still need more education about financial products, concepts and terminology. There is an argument for teaching that focuses on practical life skills such as reading a bank balance, particularly through schools.

There is a particular concern that a proportion of children who are old enough to be working outside of the home struggled to read a payslip. There is evidence from the Adult Financial Capability Survey of 2015 that young adults in Scotland also struggle in some of these areas, so it does highlight how important it is to learn about these products and concepts so as not to reach adulthood without a good level of financial knowledge and perhaps strengthens the case for earlier financial education as young adults do not appear to be 'learning on the job' when they enter adulthood.

Children are relatively savvy shoppers who know the value of money and tend to shop around, but parents may also be over-estimating their abilities to understand and resist advertising – there is room for parents to talk about these issues more frequently and at an earlier age. After all, even adults think that they are not influenced by advertising – but study after study shows that they are, especially online.

Chapter 4: How children learn about money

Strengths to build on:

- Almost all (97%) of parents in Scotland believe money habits are established by the age of 18 and 94% believe it is important they help their child learn how to manage their money.
- Over four in five (83%) parents believe they can affect how their children will behave with money when they grow up, and 76% feel they are able to be good financial role models for their children.
- Most children aged 7–17 (89%) feel comfortable talking about money with the significant people in their lives, primarily their parents, and it is their parents they would go to for advice about money.
- Almost all children in Scotland see their parents paying for things (99% of 7- to 11-year-olds) and many see other aspects of household finances such as setting a budget and shopping around.
- Many children (76%) get involved in what to buy in the family food shop and, unlike many other areas, the proportion was highest amongst low-income households.
- UK-wide, children who recall having had money management lessons at school show higher scores for a number of indicators of positive financial behaviour or knowledge (although the full relationship between these needs to be explored further).

Work is needed:

- Parents believe they can influence their children's behaviour around money but only around half (47%) overall think that their children will grow up to be like they are with money.
- Only around half of parents in Scotland are able to model 'good' saving behaviour, with 52% saying they saved every or most months; 23% of parents are over-indebted.
- One in five parents of 12- to 17-year-olds have never or rarely talked to them about the risks of borrowing and the impacts of debt.
- Despite the evidence for the value of starting early when talking to children about money, only a minority of parents believe that children aged under 8 should be given a range of financial education experiences. For example, only 28% think 5- to 7-year-olds should be taught the importance of savings, and 9% for the under-5s.
- A quarter of parents do not think children should be allowed to make mistakes with money until they are aged 16 and above.
- Only 46% of 7- to 17-year-olds say they remember learning about managing money at school or college.
- UK-wide, parents who decide how children spend their money are the least likely to agree that they can affect their child's behaviour, but the most likely to agree that children should be protected from understanding how money works and also to agree they do not know how to talk to their children about money.
- Parents in UK low-income households are less likely to feel able to be a good role model compared to parents in high-income families.

Advice and guidance

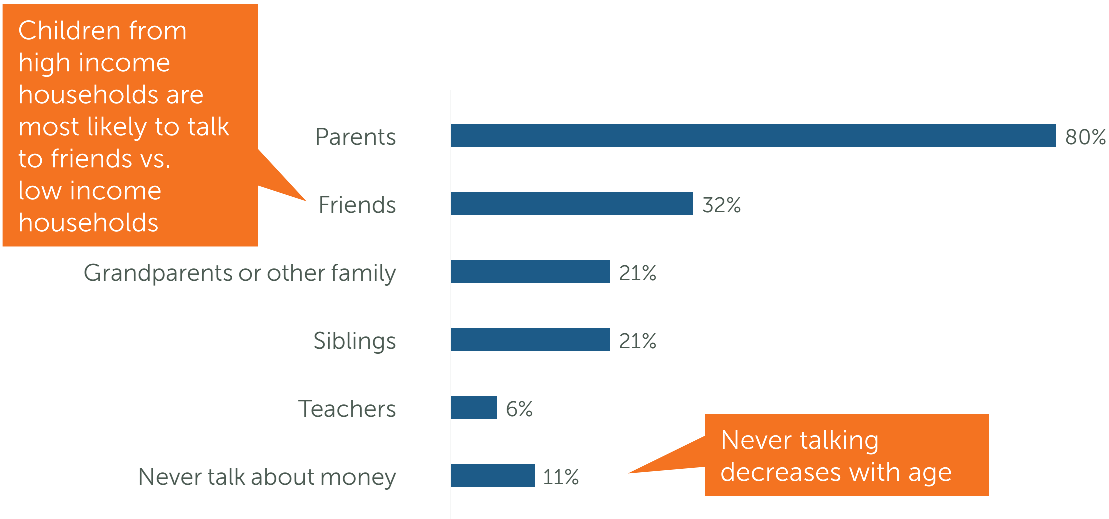
Who do children talk to about financial matters?

Most children aged 7–17 feel comfortable talking about money with the significant people in their lives. When children were asked who they talk to about their money, 89% in Scotland said they talk to at least one other person about their money, and mostly they talk to their parents (Chart 28).

Children were then asked who they would turn to if they needed advice about money, with 94% saying they would go to their parents. Children also see parents the most useful source of guidance. A few would use other sources such as friends (10%) or other family members (10%) and 5% or fewer would ask teachers, go online or ask a bank or financial institution. Even among 16- to 17-year-olds, only 11% would go to a bank for advice.[30]

Only 3% said they would not ask for advice, which is encouraging. Overall, these findings back up previous MAS research that shows that young people find their parents' advice helpful.[31]

Chart 28: Who children talk to about money



Source: MAS 2016 Financial Capability Survey for Children and Young PeopleCYP17 (C). Do you talk about your money with any of the following people? 7-17 CYP Base: All 7-17 year olds n=467

Amongst 4- to 6-year-olds, 79% in Scotland say their parents talk to them about what they spend their money on. This increases with age both within Scotland and the UK as a whole, whilst UK-wide, children who like to save are more likely to talk to their parents than children who like to spend. We asked the same question to their parents and got similar results: only 21% said they never talk to their children; UK results demonstrate that this was most likely amongst 4-year-olds compared with 6-year-olds, high-income households, and parents of children who say they like to spend.

Parents also talk to their children about what careers they could do in the future. Overall, only 3% of parents aged 12–17 said they never or rarely talked about careers, with 61% saying 'often'. All parents in Scotland of 16-17 year-olds discuss their child's career choices with them. UK-wide, we also observe that parents in low-income homes are the most likely to say 'never' or 'rarely', as are parents of children that never save.

30. The term 'advice' is used here in the general sense, not regulated financial advice.
31. *The Financial Capability of 15- 17-year-olds* (Money Advice Service, 2013)

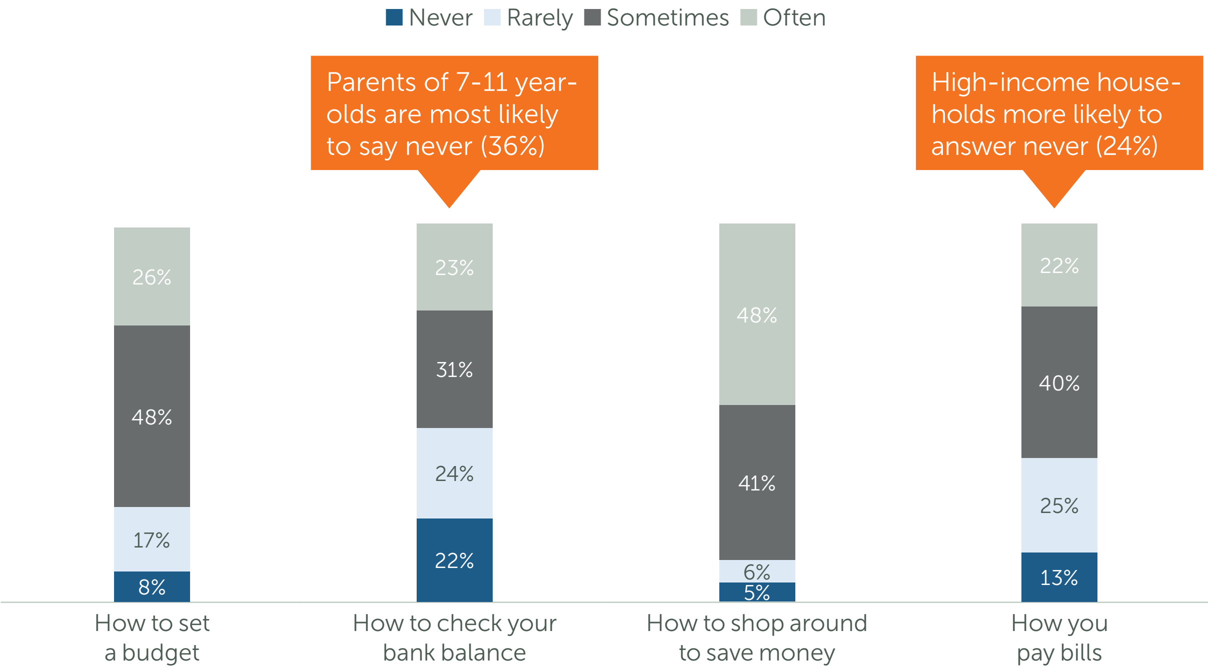
Exposure to family finances

How often are children shown elements of family finances?

Out of all the financial tasks that take place in the household, children aged 11–17 are most frequently shown how to shop around to save money (Chart 29). This is likely to be because children accompany parents on shopping trips or see them shopping online and the subject comes up naturally. Parents are more likely to have to make an explicit decision to show a child one of the other tasks, such as paying bills or setting a budget, so it is encouraging that many parents do so at least sometimes.

Parents may be more reluctant to show children how to check a balance as they may not wish to reveal how much money the family has in the bank. However, as we have seen in Chapter 1, there are 21% of children who do not keep track of their finances and a further 29% who only keep track in their head and who may therefore benefit from repeated lessons on how to check a balance. Additionally, we saw in Chapter 3 that 19% of 12- to 17-year-olds in Scotland are unable correctly to determine the balance from a bank statement. The frequency with which parents show the tasks in Chart 29 tend to increase with age and generally household income. UK-wide behavioural differences such as saving frequency and confidence also play a role.

Chart 29: How often parents show their child various financial tasks



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP27 (PP). How often do you show [Child name]...? Budget: Aged 11-17, Balance 7-17, Shop: 11-17, Bills: 14-17. Base: All – bases vary

We asked the 7- to 11-year-old children if they had seen their parents pay for things in a variety of ways. Overall:

- 95% had seen their parents use cash (significantly higher than the 84% UK-wide)
- 84% debit card (higher than 74% UK-wide)
- 43% an online account
- 39% credit card
- 15% mobile phone
- Only 1% had seen none of these

Both in Scotland and across the UK, children in high-income households are most likely to have seen their parents pay in most of these ways. In the wider UK context, those whose parents decide how they spend their money are the least likely to have seen any of these methods. It is striking that, UK-wide, 16% of children have not seen their parents use cash, as card-based and digital methods are becoming more widespread. Other research shows that more than a third of pocket money is now paid online.[32]

Are children involved in household choices?

Most children are involved in some of the choices that are made in their households. This is encouraging as it is likely that some of the understanding that children get about the value of money, and the choices that are to be made, comes from having a degree of involvement in decisions about money. This applies not just to decisions about the children's own money, but also the money that is spent in the family.

Almost four in five (79%) of 8- to 17-year-olds in Scotland indicated they were given a choice in what to buy in the family food shop. This rose to 82% of 16- to 17-year-olds. Unlike many other questions, however, the proportion of children getting a choice was highest amongst low-income households – 84%[33] vs. 77% for medium- and 80% for high-income households. Similarly, the proportion who get a choice in days out is highest in low-income households (88%[34]), which is unlike the UK as a whole, where those in higher-income households were more likely to have been offered the choice.

How often do parents talk to children about the family finances?

We asked parents of 4- to 17-year-olds who they discuss their household finances openly with:

- 85% (of those who are married or living with a partner) discuss finances with their spouse or partner
- 34% with their parents or other family
- 30% with their children
- 23% friends
- 5% colleagues

Only 11% in Scotland said they prefer not to talk about their finances with any of these people. Talking to children decreases with household income (the opposite direction to UK results), but talking to no-one reflects UK opinion, and is most likely in low-income households.

Talking to children does also increase with age of the child, yet still only 40% of parents of 16- to 17-year-olds say they discuss their household finances openly with their children. This suggests that opportunities for the child to learn about adult financial responsibility are being missed.

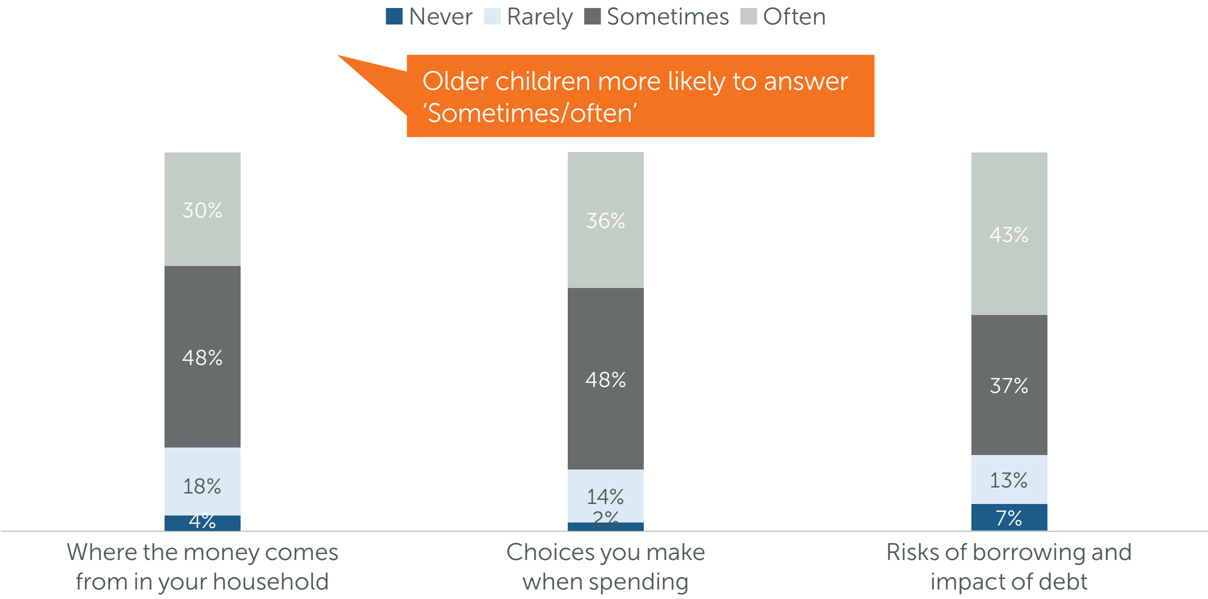
Parents were also asked how often they talked to their child about specific aspects of their household finances (Chart 30). Only three in ten (30%) of parents of children aged 4–10 often discuss where the money in their household comes from with their child. Over one in five (22%) said they never or rarely discussed this.

Parents of 4- to 17-year-olds were asked how often they talk to their child about the choices they make when spending their money. Only 36% said they do so often and 16% said they never or rarely talk about it. Whilst UK-wide, this changes less than might be expected by age of the child, in Scotland, 48% of parents of 16- to 17-year-olds (39% UK) do so often, but still 8% saying they never or rarely talk to their child about the choices they make.

Parents of 12- to 17-year-olds were additionally asked how often they talk to their child about the risks associated with borrowing money, and the impact of getting into debt. Overall, 43% of parents in Scotland said they did so often, however nearly one in five (20%) said they never or rarely talked about it. This was lower for parents of 16- to 17-year-olds, with 14% saying they rarely or never discussed the risks of borrowing and debt with their child.

32. intelligentenvironments.com/death-of-pocket-money-more-parents-than-ever-pay-children-digitally/
33. Low base size: 76
34. Low base size: 75

Chart 30: How often parents talk to their child about the following financial issues



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP26 (PP). How often do you talk to [Child name] about...?: Money: Aged 4-10, Choices 4-17, Borrowing: 12-17. Base: All – bases vary

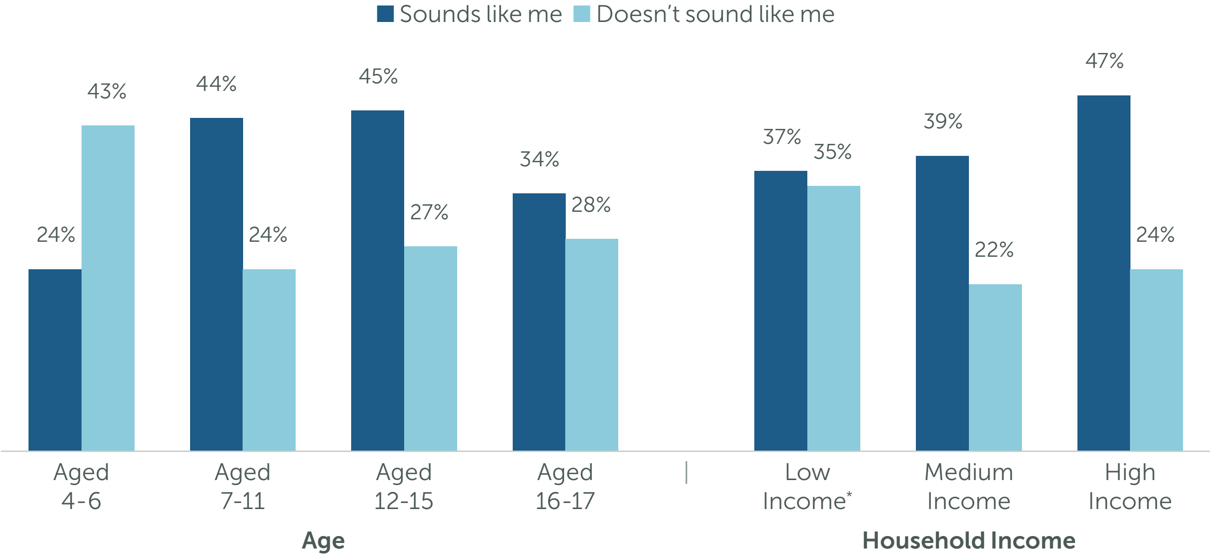
Similarly, children aged 11–17 were asked whether their parents discuss with them what the family can and cannot afford to buy. Seven in ten (71%) said they do, although agreement was slightly lower among 12-15 year-olds (66%).

Are there clear rules about money?

Parents are divided about whether there are clear rules in their households about money. We asked parents how much the statement "I set clear rules and agreements for my child about money, that I stick to" sounds like them. A quarter (26%) of parents of 7- to 17-year-olds say that this does not sound like them. We saw differences in household income brackets both in Scotland and across the UK, and additionally, UK-wide, saving behaviour and confidence are also important differentiators. The percentage saying 'that sounds like me'[35] is lower amongst parents of 16- to 17-year-olds in Scotland than parents of children aged 7-11 or 12-15, possibly because they feel that rules are not needed as much as children get older.

35. Sounds like me' = those scoring 8–10. 'Doesn't sound like me' = those scoring 1–5.

Chart 31: Whether parents think they set clear rules and agreements for my child about money, that they stick to



Source: MAS 2016 Financial Capability Survey for Children and Young People P12c (P). On a scale of 0 to 10, where 0 means 'it doesn't sound like me at all', and 10 means 'it sounds a lot like me', to what extent would you say...? : I set clear rules or agreements for [Child name] about money that I stick to : Sounds like me = 8-10 Doesn't sound like me = 0-5 Base: All parents of 7-17 n=488

* Low base sizes: 78 (low income)

Parents' attitudes and behaviours

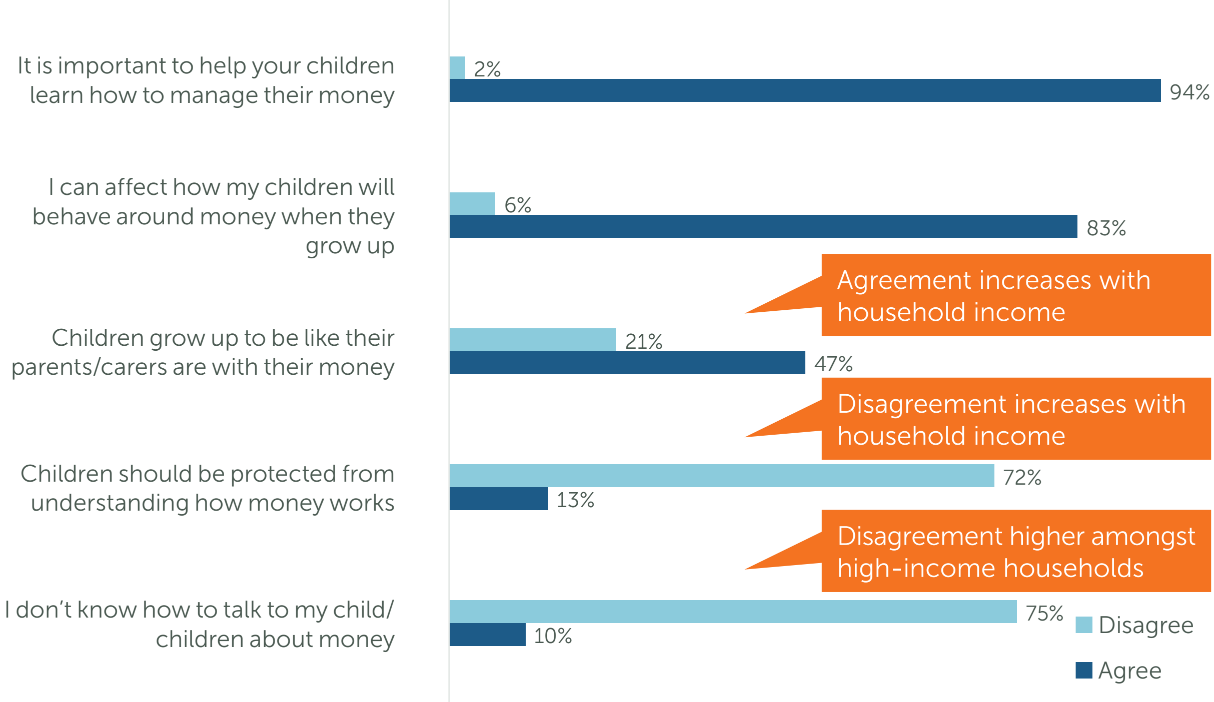
What do parents think about teaching children about money?

Parents understand that what they do has an impact on their child's financial future. Chart 32 shows that most parents (94%) think it is important to help their children learn about money, and that around four in five agree that parents have an impact on how children behave around money when they grow up. Our previous research also suggests that children are likely to imitate their parents when it comes to money.[36] Despite this, fewer than half think that children grow up to be like their parents when it comes to money. Parents in low-income families are most likely to disagree with that view.

Within Scotland, household income is a factor in most of these statements (as with the UK generally), but what is perhaps even more interesting to note from the UK-wide results is the relationship with parents deciding on their child's spending. Parents who decide how children spend their money are the least likely to agree that they can affect their child's behaviour. They are also the most likely to agree that children should be protected from understanding how money works, and say that they do not know how to talk to their children about money. Perhaps this combination – of feeling unable to talk to children and influence their behaviour, while feeling concerned about protecting them – leads to the need to control rather than empower which, as we have seen throughout this report, may have a detrimental effect on children's financial capabilities. This suggests that providing support to parents – so that they can engage more effectively with their children – is a crucial factor in educating children about finances.

36. *Habit Formation and Learning in Young Children* (Money Advice Service, 2013)

Chart 32: Parents agreement with statements about teaching children about money



Source: MAS 2016 Financial Capability Survey for Children and Young People. P11 (P). Here are some things parents and carers have said about teaching children about money. To what extent do you agree or disagree with...? Excludes those saying neither or DK. Base: All parents of 4-17 year olds – bases vary

At what age do parents think they should be educating their child about money?

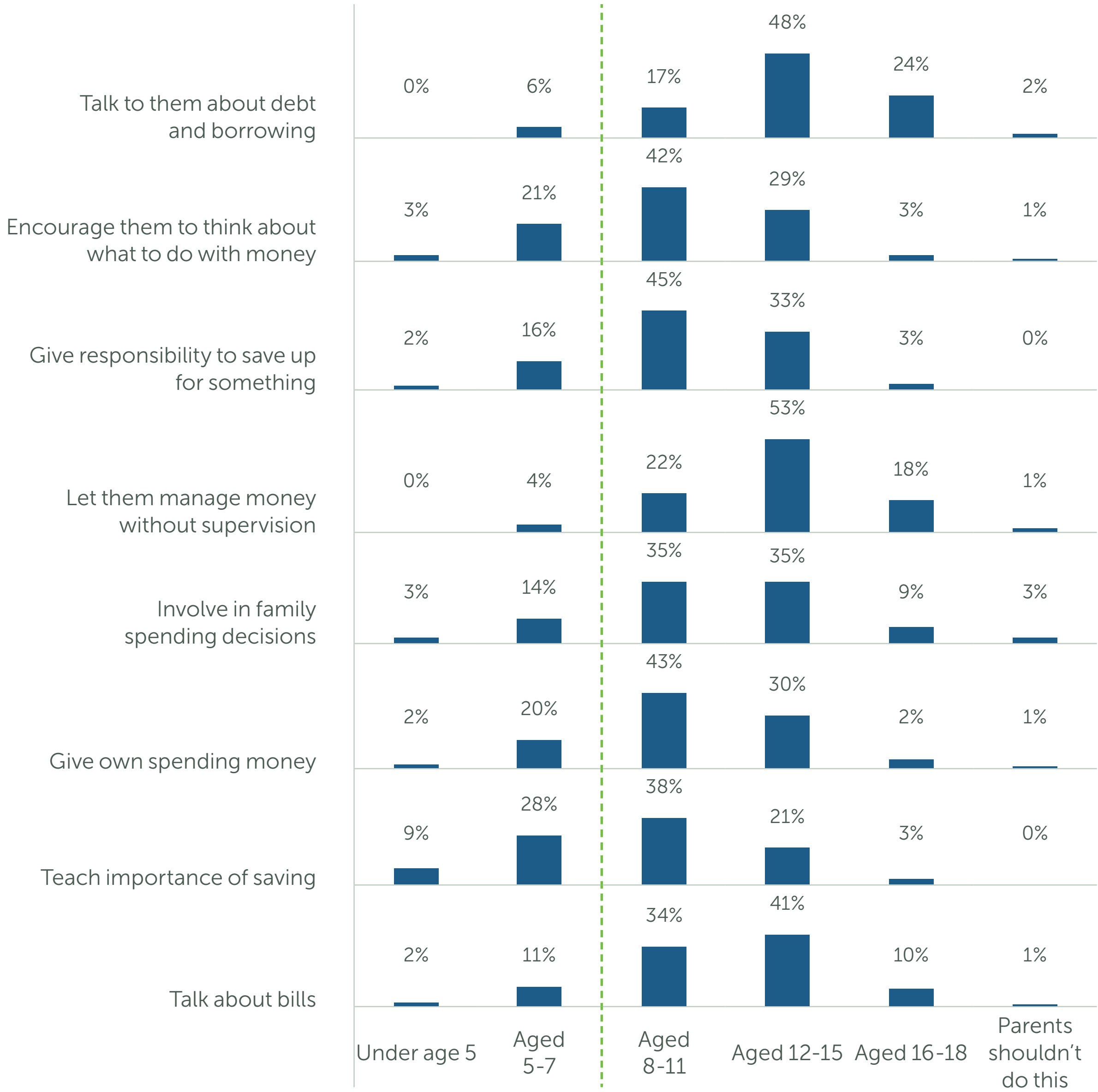
Almost all parents believe they should educate their children about different aspects of money management by the age of 18, as shown in Chart 33.

Generally, the most common period that parents think they should begin addressing these money matters is between the ages of 8 and 11 or between 12 and 15.

Only 24% of parents in Scotland think they should encourage their children to think about what to do with their money under the age of 8 and only 22% think they should be giving children their own spending money under the age of 8. Only 9% of parents think the importance of savings should be taught to under-5s and only an additional 28% think this should be discussed between the ages of 5 and 7. Previous research has indicated, however, that many adult habits are in place by the age of 7.[37] Throughout this report we have seen that children who have experience of using money and are involved in making financial choices show more positive behaviours and attitudes. However, Chart 33 indicates that some parents are not aware of these benefits.

37. Ibid.

Chart 33: Age that parents and carers think they should start doing the following with their children[38]



Source: MAS 2016 Financial Capability Survey for Children and Young People. PP16 (P). At what age group do you think parents and carers should start doing the following with their children to help them become good with their money when they grow up...? Base: All parents of 4-17 year olds – bases vary

The ages that parents think they should educate their child may be related to their beliefs about the age their money habits and attitudes get established. Chart 34 shows that whilst 97% of parents in Scotland believe that money habits and attitudes are established by the age of 18, only less than half (48%) think habits are established before the age of 12. Fewer parents (35%) believe children should be given the freedom to make mistakes before the age of 12. This suggests that there may be some parents who are not comfortable with the idea that making mistakes is part of the process by which habits and attitudes are formed.

Around a quarter do not think children should be allowed to make mistakes until they are aged 16 and above. We do not know what type of mistakes the parents are thinking of, and no doubt their intention is to protect their children. Making mistakes is an important part of learning, however. Moreover, the consequences of making them become much greater the older the child is.

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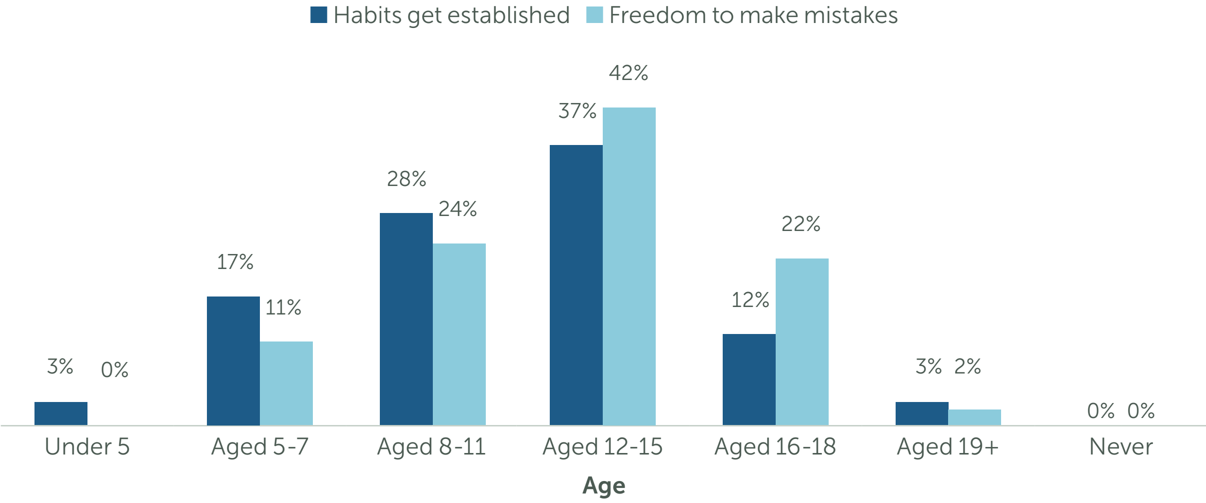
38. Don't know' answers included in calculation but not shown, as 3% or below in all cases.

It is also worth noting that over half of parents think that habits become established at age 12 or later. This is in contrast to our previous research which show that by age 7, children are able to self- regulate their behaviour and by the time they are 8, they have a good enough concept of the future to begin to build a savings habit.[39]

Chart 34: The age that parents think that habits get established, and children should be free to make mistakes



Source: MAS 2016 Financial Capability Survey for Children and Young People. NQ2a (P). At what age do you think...? : A person's money habits and attitudes, for example being a spender or a saver, get established / That children should have the freedom to start making mistakes with their money and learn from them Base: All parents of 4-17 year olds. Bases vary

What sort of role models do parents make?

Most parents (76%) feel they are able to be good role models for their children although many have their own issues with financial capability and wellbeing. Overall, only 56% of parents of 4- to 17-year- olds in Scotland say they are confident in managing their money, 60% say they are confident in talking to their children about money and only 29% are satisfied[40] with their own financial circumstances. That two in five are not confident talking to their children about money demonstrates the need to support parents in these conversations as 94% of children go to their parents for money advice (page 43).

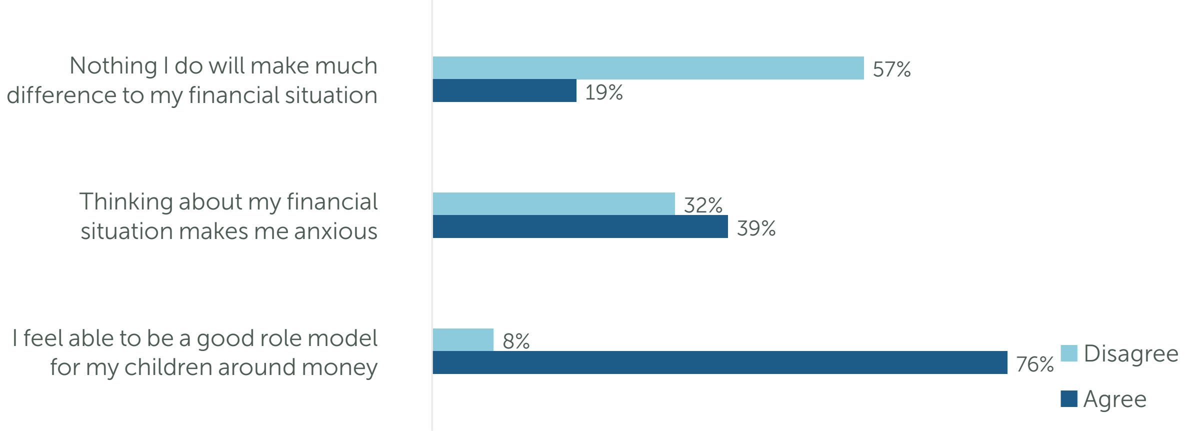
Chart 35 shows that four in ten say their financial situation makes them anxious and a quarter feel there is nothing they can do to make any difference to their financial situation (as compared with 16% of children, as we saw on page 29). Low-income households are most likely to report this.

Despite these difficulties with their own finances, most are able to restrain spending on their children: only 18% said that the statement "I feel under pressure to spend money on my children even when I can't afford it" sounded like them. Low-income households were more likely to agree with this statement than medium- and high-income ones (33% agree within low-income household compared to 9% in high-income). This is the same direction as observed in the UK sample (decreasing agreement levels with increasing income), but in Scotland the differences between income groups are even more pronounced.

Around half of parents are also able to model 'good' saving behaviour, with 29% saying they save every month and 23% saving most months. The other half could not, however, with 24% saying they rarely or never save – rising to 40% in low-income households.

39. *Habit Formation and Learning in Young Children* (Money Advice Service, 2013).
40. Satisfied = scoring 8-10 out of 10.

Chart 35: Parents agreement with statements about their attitudes to money



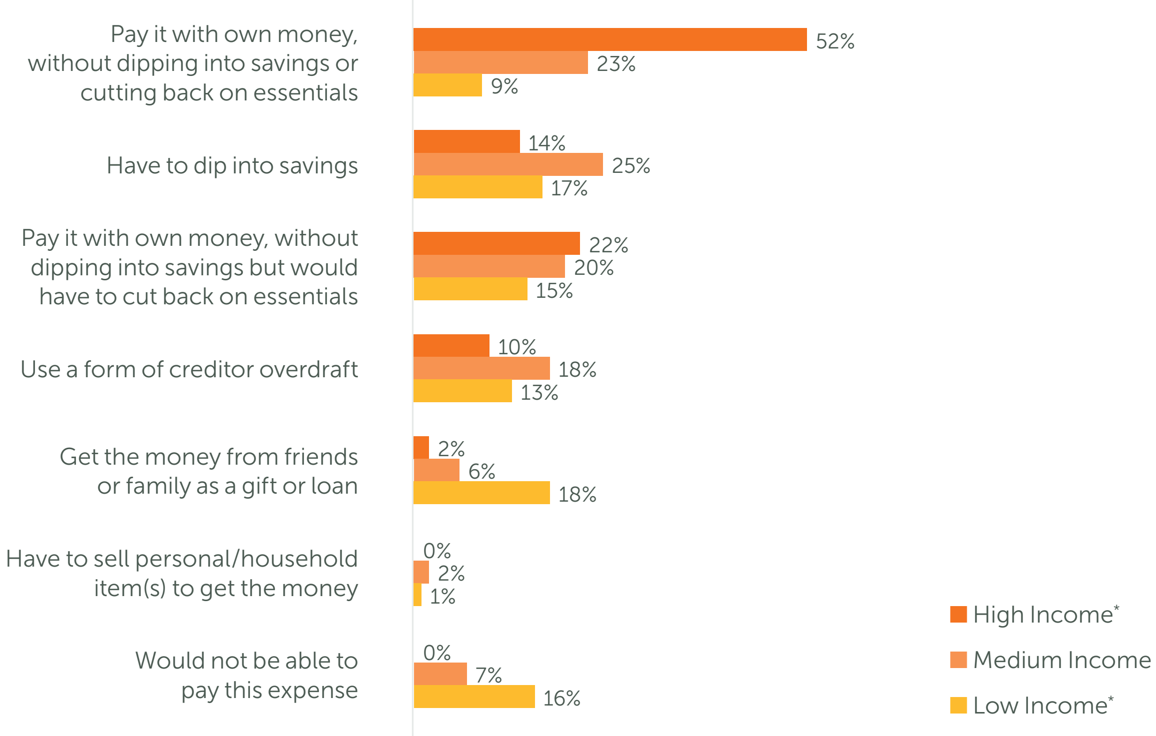
Source: MAS 2016 Financial Capability Survey for Children and Young People. P10: To what extent do you agree or disagree with the following statements about money? Excludes those saying neither or DK. Base: All parents of 4-17 year olds - bases vary

Many parents of 4- to 17-year-olds also feel burdened by their bills and credit commitments, and some have fallen behind. Overall, 66% say bills are a burden (13% heavy burden, 52% somewhat of a burden); this is highest in low-income families. A total of 15% of parents of 4- to 17-year-olds in Scotland have fallen behind or missed payments for three months out of the last six; this rises to 38% of parents in low income families. Overall, 23% of parents are over-indebted.[41] It is interesting to note that significantly fewer over-indebted parents (57%) feel that they are a good role model for their children, than those who are not over-indebted (83%).

Chart 36 shows that there are also stark differences by income in how parents would cope with an unexpected bill. Most commonly, parents in high-income families would just pay it using money in the bank; parents in middle-income families would manage but need to use savings, take out credit or cut back; while parents in low-income families would ask friends and family to help, or would fail to pay.

41. Definition of over-indebted: i. I find meeting my monthly bills/commitments a heavy burden; and/or ii. I have missed bill payments in three or more months out of the last six months (not necessarily three consecutive months).

Chart 36: How parents would pay an unexpected bill for £300, due in seven days.



Source: MAS 2016 Financial Capability Survey for Children and Young People. NQ96: Thinking about an unexpected bill which you have to pay within seven days from today. Which, if any of the following would you do to pay a bill of £300? . Base: All parents of 4-17 year olds n= 590

Learning at school

What have children learnt about money at school or college?

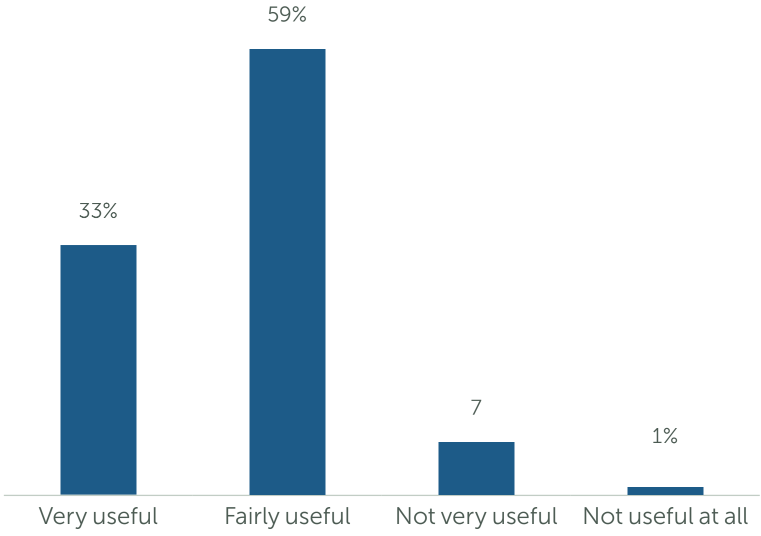
Overall, 46% of 7- to 17-year-olds say they have learnt about managing money at school or college compared to only 40% across the UK as a whole. A third (34%) say they have not (compared to 45% in the UK) and 20% say they aren't sure. It is important to note that this is reported by the children themselves; teachers may have a different perspective and, as financial education is often integrated within other subjects, the children may not always have been aware that they were learning about managing money specifically.

This figure does not vary significantly by age and, unlike in the UK as a whole, it does not vary substantially by household income.

Overall, 93% of children aged 7–17 who recalled learning about money management said they found it useful (33% very useful, 59% fairly useful).

There are no notable differences in the perceived usefulness of this education when contrasting income and age groups, unlike in the UK, where those from low-income households were more likely to say they found it very useful.

Chart 37: Do children find learning to manage their money in school or college useful?



Source: MAS 2016 Financial Capability Survey for Children and Young PeopleCYP18b (C). How useful was learning to manage your money at school or college?: Aged 7-17 who learnt to manage their money at school or college: 223

Aside from the reported value of the lessons, we have conducted additional analysis of the UK-wide data to understand more about the relationship between these lessons and children's knowledge, behaviour and attitudes. Due to small sample sizes, equivalent comparisons are not available at a Scotland-only level.

After controlling for household income, the child's age and their type of school, children who recall having money management at school are more likely than those that do not to:

- ask their parents for advice about money
- ask their teachers for advice about money
- be confident managing money
- know what a bank account is
- know how a savings account works
- know how a payday loan works
- know how a government bond works
- give a correct response to interest and inflation question. (Figure 3, page 35)

This suggests that there is a positive relationship between money management lessons and beneficial outcomes, but further research is needed to understand this relationship better and where any potential gaps may be.

Implications

One of the key findings of this chapter is the key role that parents play in their children's developing financial skills, knowledge, habits behaviours and attitudes. The chapter also explores the confidence that children place in their parents, and the lack of confidence that some parents have in themselves. This lack of confidence is widespread but is particularly an issue in low-income families.

Positively, many children are involved in household spending decisions and, in particular, children in low-income families are often involved in decisions about the weekly shop. This has implications for education or intervention programmes targeted at this group, as food shopping scenarios can easily be used to create relevant, practical examples.

The findings in this section also suggest that many parents could benefit from support to be the best role models possible for their children, and that other sources of role models and education beyond the home may be of value, particularly to those living in contexts that increase their chances of being vulnerable to poor financial capability. It would be useful to understand in more detail how children are affected if their parents are poor financial role models; this area would benefit from further research.

There is a strong case for designing, testing and delivering more interventions that work with the whole family rather than just with children. This section also explored the seeming reluctance of parents to talk to their children about money and give them responsibility at an early age. The evidence shows that children start at a very young age to form habits and attitudes and would benefit from more experience, the opportunity to have some control over their finances and even the opportunity to make mistakes, albeit on a small scale. There is a case for helping parents to be more confident and comfortable talking to their children. For example, they can talk about what the household can afford, without having to discuss what they earn or how much they have saved.

Our findings in this section also indicate that children should learn about finances not just in the home. A higher number of children in Scotland said they learnt about money management at school compared to those in the UK as a whole, however there is still work to do. Children who report learning about money at school do better on a number of capability indicators, which makes a case for broadening the reach of financial education in schools and colleges, for all children and young people. This should include primary schools, reflecting our other findings on the importance of starting young; and just-in-time support at 16–17 in schools and colleges. Again, it is worth noting that this analysis is based on what children recall and there may be those who did receive financial education at school but didn't remember it, or recognise it as such.

Next Steps

Our research has found that, overall, children have a reasonable grounding of knowledge and understanding about money. They recognise some financial products and concepts, and know that money has a value. They are cautious about debt, and have a theoretical understanding of the importance of savings and the concept of value for money.

However, there are some aspects of financial capability that are less well understood, and some who are doing less well than others. There are clear themes emerging from our findings about factors that seem to make an important difference to children and young people's financial capability. These include: the importance of starting early; the need to empower children; developing saving behaviours; and vulnerabilities such as growing up in a low-income household and lack of confidence managing money.

At the beginning of each chapter, we have identified strengths as well as areas for development in knowledge, understanding and attitudes. There remain opportunities to ensure that the education and support provided to children – and, importantly, to those who help them learn about money at home and in school – builds on these strengths and tackles these areas for development.

The Money Advice Service will seek to use the report and its findings, in collaboration with other interested organisations, to influence funders and delivery bodies. Our aim is to help them understand where the key issues are, what that means for them, and how we can work together to focus efforts on addressing them.

In addition, we intend to build further on this evidence base and take these findings forward. In particular, we will:

1. **commission a series of 'deep dives' of this survey** to explore the further research questions set out in the Executive Summary.

2. **work with the Improvement Service we will continue to support and co-ordinate the Scottish Financial Education Forum**, which brings together a wide range of stakeholders across Scotland. The group will aim to raise awareness of the importance of financial education, both in schools and the wider community; understand where and how it is being delivered in Scotland; share best practice and build on the success of the Financial Education Conference which took place in March 2017.

3. **use these findings to inform a wider project on vulnerability.** We need to gain a better understanding of the specific needs of groups at risk of poorer financial capability, or for whom the negative impact of poor financial decisions is disproportionately negative, and, building on that, to develop plans to address these. This will include further exploring the relationship between skills and demographics in childhood and adolescence, and long-term financial outcomes, through extensive analysis of the British Cohort Survey 1970.

4. **complete our parenting pilot in Wales, 'Talk, Learn, Do'**, which aims to equip parents with the skills needed to develop financially-capable children. We will explore how the methods and resources developed through the project can be further developed and evaluated to support parents and be used more widely across the UK.

5. **work through the Financial Capability Strategy for Scotland** so that providers, funders, and policymakers use our and others' research to ensure financial education is directed to where it is most needed and is most likely to be effective. This includes more high-quality evaluation to demonstrate 'what works' and to build the business case for financial education via the Scottish Financial Education Forum.

The findings from this survey will be brought together with the other research we are conducting to understand the financial capability needs of children; with our analysis of existing provision and resources; and with the extensive range of projects we are running to generate evidence about 'what works'. This will result in a comprehensive plan for delivering effective financial education at scale.

The implications discussed in this report are a step in the direction needed to achieve this and make progress towards the UK Financial Capability Strategy goal of ensuring that by 2025 all children and young people are getting the high-quality financial education they need.

the Money Advice Service

All our research can be found on our website:
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